



2011

Targeted Tax Area Business Booklet

This booklet contains:

Form FTB 3809, Targeted Tax Area Deduction and Credit
Summary

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State of California
Franchise Tax Board

Instructions for Form FTB 3809

Targeted Tax Area Businesses

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

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General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the R&TC in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

New Jobs Credit

For taxable years beginning on or after January 1, 2009, a new jobs credit against the tax (corporations) or net tax (individuals), will be allowed for a qualified employer in the amount of \$3,000 for each qualified full-time employee hired during the taxable year that increases the

employer's number of full-time employees over the previous year. This is determined on an annual full-time equivalent basis. Any credits not used in the taxable year may be carried forward up to eight years. For more information, go to ftb.ca.gov and search for **new jobs** or get form FTB 3527, New Jobs Credit.

Important: An employee that is a qualified employee for the TTA hiring credit is not a qualified employee for the New Jobs credit.

Limitation

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. For more information on disregarded business entities, get Form 568, Limited Liability Company Tax Booklet.

Net Operating Loss – For taxable years beginning in 2010 and 2011, California suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover NOLs during the suspension period. **However**, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or modified adjusted gross income (individuals) of less than \$300,000, **or** with disaster loss carryovers are not affected by the NOL suspension rules. Prior to this, California suspended the NOL carryover deduction for taxable years beginning in 2008 and 2009. Taxpayers with taxable income (corporations) or net business income (individuals) of less than \$500,000, or with disaster loss carryovers were not affected. Also, California modified the NOL carryback provision. NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January 1, 2011, may be carried back to each of the preceding two taxable years. For more information on the NOL suspension, and carryover and carryback periods, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations, or form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals. In addition, see instructions for Worksheet IV in this booklet.

Single Sales Factor Formula – For taxable years beginning on or after January 1, 2011, any apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), may make an irrevocable annual election on an original timely filed tax return to apportion California business income using the single sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income. However, to calculate the California business income for the Targeted

Tax Area (TTA), the income apportioning method must be used. Income apportioned to the TTA continues to be apportioned based on the property and payroll factors.

Minimum Wage

The California minimum wage is \$8 per hour.

Pass-Through Entities

For purposes of this booklet, the term "pass-through entity" refers to an S corporation, estate, trust, partnership and a limited liability company (LLC). References to "partnerships" include LLCs classified as partnerships.

Assignment of Credit – For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax in taxable years beginning on or after January 1, 2010. For more information, get form FTB 3544, Election to Assign Credit Within Combined Reporting Group, or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee or go to ftb.ca.gov and search for **credit assignment**.

Introduction

Economic Development Area (EDA) Tax Incentives

California has established four types of EDAs that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that are economically depressed. EDA tax incentives apply only to certain business transactions that are undertaken after an EDA has received final designation from the California Department of Housing & Community Development (HCD). Final designation is when the HCD designates an area to be an EDA. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (EZs)
- Local Agency Military Base Recovery Areas (LAMBRAs)
- Manufacturing Enhancement Areas (MEAs)
- The Targeted Tax Areas (TTAs)

Additional information on other EDAs can be found in the following FTB tax booklets:

- EZ tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet.
- LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet.
- MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet.

Reporting Requirement

California statutes require the FTB to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through J on Side 1 of form FTB 3809, Targeted Tax Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement.

Purpose

This booklet provides specific information on the types of available TTA tax incentives. Taxpayers operating or investing in a business located within a designated TTA may be eligible for the following credits and deductions:

- Hiring Credit
- Sales or Use Tax Credit
- Business Expense Deduction
- NOL Carryover Deduction

Use this booklet to determine the correct amount of deductions and credits that a business may claim for operating or investing in a business located within a designated TTA. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3809.

Targeted Tax Area Designation

California established the TTA program to stimulate development in a selected economically depressed area of Tulare County. The program offers special tax incentives to entities and individuals located in the Tulare TTA and engaged in a trade or business within the selected Standard Industrial Codes listed on pages 23 through 25 of this booklet.

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA effective November 1, 1998. The designation shall be binding for 15 years, commencing from January 1, 1998. The incorporated cities in Tulare County are:

- | | |
|----------------|---------------|
| • Cutler-Orosi | • Pixley |
| • Dinuba | • Porterville |
| • Earlimont | • Traver |
| • Exeter | • Tulare |
| • Farmersville | • Visalia |
| • Goshen | • Woodlake |
| • Lindsay | |

For business eligibility or zone related information, including questions regarding TTA geographic boundaries, contact the HCD or the local zone program manager where the business is located. Go to hcd.ca.gov and search for **directory of zone contacts** to find Directory of Economic Development Areas.

For information that is zone-specific, but not tax-specific, you may contact the HCD. See page 30 for the HCD contact information.

Important Considerations

TTA tax incentives apply only to the following items:

- Qualified assets purchased and placed in service on or after November 1, 1998.
- Qualified employees hired after November 1, 1998.
- NOLs for taxable years beginning on or after November 1, 1998.
- Qualified costs paid or incurred within the TTA on or after November 1, 1998, and before the designation expires.

Eligibility

To qualify for any of the tax incentives described above, a taxpayer must meet both of the following requirements:

1. Be engaged in a trade or business within the TTA.
2. Be engaged in a line of business described in Standard Industrial Classification (SIC) Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the SIC Manual published by the United States Office of Management and Budget, 1987 Edition.

In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer for the business expense deduction, hiring credit, and sales or use tax credit, is made at the entity level. Any business expense deduction, hiring credit, or sales or use tax credit that is allowed to the pass-through entity is also passed through to the partners or shareholders.

If your business is located within and outside the TTA, see Part III on page 9 for instructions on how to apportion income.

Forms Table

The titles of forms referred to in this booklet are:

| | |
|---------------------|---|
| Form 100 | California Corporation Franchise or Income Tax Return |
| Form 100S | California S Corporation Franchise or Income Tax Return |
| Form 100W | California Corporation Franchise or Income Tax Return – Water's-Edge Filers |
| Form 109 | California Exempt Organization Business Income Tax Return |
| Form 540 | California Resident Income Tax Return |
| Long Form 540NR | California Nonresident or Part-Year Resident Income Tax Return |
| Form 541 | California Fiduciary Income Tax Return |
| Form 565 | Partnership Return of Income |
| Form 568 | Limited Liability Company Return of Income |
| Schedule CA (540) | California Adjustments – Residents |
| Schedule CA (540NR) | California Adjustments – Nonresidents or Part-Year Residents |
| Schedule P (540) | Alternative Minimum Tax and Credit Limitations – Residents |

| | |
|---------------------|---|
| Schedule P (540NR) | Alternative Minimum Tax and Credit Limitations – Nonresidents and Part-Year Residents |
| Schedule R | Apportionment and Allocation of Income |
| FTB Pub. 1061 | Guidelines for Corporations Filing a Combined Report |
| Schedule C (100S) | S Corporation Tax Credit |
| Schedule K-1 (100S) | Shareholder's Share of Income, Deductions, Credits, etc. |
| Schedule K-1 (541) | Beneficiary's Share of Income, Deductions, Credits, etc. |
| Schedule K-1 (565) | Partner's Share of Income, Deductions, Credits, etc. |
| Schedule K-1 (568) | Member's Share of Income, Deductions, Credits, etc. |
| FTB 3544 | Election to Assign Credit Within Combined Reporting Group |
| FTB 3544A | List of Assigned Credit Received and/or Claimed by Assignee |

Who Can Claim the TTA Tax Incentives?

The TTA credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a business located within the designated TTA.

To take advantage of the hiring credit, obtain a VoucherCert 10-07 from the local agency responsible for verifying employee eligibility. Do not file VoucherCert 10-07 with your tax return. Keep the voucher for your records.

How to Claim Deductions and Credits

To claim any TTA deduction or credit, **attach** a completed form FTB 3809 to the California tax return.

Attach a separate form FTB 3809 for each business you operate or invest in that is located within the TTA. Also, complete the following schedule and/or worksheets to report credits and deductions incurred:

- Corporations complete Schedule Z and all the worksheets, except for Worksheet III, Section C.
- Sole proprietors complete Schedule Z and all the worksheets.
- For trusts, estates, and partnerships, complete Worksheet IA through Worksheet II and Worksheet III Section A.
- Individual investors receiving pass-through **TTA credits** or the **business expense deduction**, complete Worksheet III, Section C and Schedule Z. All other investors complete Worksheet III, Section A and Schedule Z.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL**, complete Worksheet III, Section C and Worksheet IV, Section A and/or C. All other investors complete Worksheet III, Section B and Worksheet IV, Section B and/or C.

Schedule Z is on Side 2 of form FTB 3809.

To assist with the processing of the tax return, indicate that the business operates or invests within the TTA by doing the following:

- Form 540 filers:** Claim TTA tax incentives on Form 540, line 14 and line 43 through 45, as applicable.
- Long Form 540NR filers:** Claim TTA tax incentives on Long Form 540NR, line 14 and line 58 through 60, as applicable.
- Form 100 filers:** Claim TTA tax incentives on Form 100, line 15, line 21, line 26, and line 27, as applicable.
- Form 100S filers:** Claim TTA tax incentives on Form 100S, line 12, line 19, line 24, and line 25, as applicable.
- Form 100W filers:** Claim TTA tax incentives on Form 100W, line 15, line 21, line 26, and line 27, as applicable.
- Form 109 filers:** Check the "Yes" box for the TTA question I at the top of Form 109, Side 1.

Keep all completed worksheets and supporting documents for your records.

Form FTB 3809 – Instructions for items A through J

For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors who operate businesses in the TTA, complete items A through J.

Investors of pass-through entities, complete items A through D.

Standard Industrial Classification (SIC) and Principal Business Activity (PBA) Codes

To qualify for the TTA hiring credit, you must be engaged in a trade or business within the selected SIC listed on page 23 through page 25 of this booklet. Enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3809, Side 1. If your business has more than one establishment, and if more than one of them qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment.

FTB implemented the PBA codes chart that is based on the North American Industry Classification System (NAICS). The list of principal business activities and their associated codes are designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California R&TC. The PBA codes are listed on page 26 through page 28. Enter the PBA code of your principal activities on form FTB 3809, Side 1.

Part I – Credits

Vouchering

Employers hiring qualified employees, get VoucherCert 10-07 from the local agency responsible for verifying employee eligibility.

Do not file VoucherCert 10-07 with your tax return. Keep the voucher for your records.

For vouchering questions, you may contact the HCD at 916.322.1554.

Line 1a – Hiring Credit

Qualified employers conducting a trade or business within the TTA may claim the hiring credit for a qualified employee. A qualified employee is an individual who meets all of the following:

- Was hired after November 1, 1998.
- Spends at least 90% of his or her work time (for the qualified employer) on activities directly related to the conduct of a trade or business located within the TTA.
- Performs at least 50% of the work (for the qualified employer) within the boundaries of the TTA.
- Immediately preceding employment with qualified employer, was any of the following:
 1. A person receiving or eligible to receive subsidized employment, training, or services funded by the federal Job Training Partnership Act (JTPA) or its successor.
 2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) or its successor.
 3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (WOTC) or its successor.
 4. An economically disadvantaged individual 14 years of age or older.
 5. A qualified dislocated worker.
 6. A disabled individual eligible for, enrolled in, or who completed a state rehabilitation plan.
 7. A service-connected disabled veteran.
 8. A veteran of the Vietnam era.
 9. A veteran who recently separated from military service.
 10. An ex-offender.
 11. A person eligible for or a recipient of any of the following:
 - Federal Supplemental Security Income (SSI) benefits.
 - Aid to Families with Dependent Children (AFDC).
 - Food stamps.
 - State and local general assistance.
 12. A Native American.
 13. A resident of the TTA.

For more information, refer to the federal JTPA or its successor, the Workforce Investment Act (WIA).

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the TTA. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

Wages that qualify for the hiring credit are those wages paid or incurred to hire a qualified employee for the consecutive

60-month period beginning on the first day the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

The credit is based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year.
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the TTA hiring credit. The current minimum wage is \$8.00 per hour. For purposes of computing the TTA hiring credit, 150% of the minimum wage is \$12.00 per hour.

Example:

John Anderson was hired on January 1, 2011. John's hourly rate for the first month was the minimum wage of \$8.00. At the beginning of the second month, his hourly rate increased to \$8.50. For the third month, John's hourly rate increased to \$12.50. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or currently \$12.00 per hour. The amount of qualified wages is computed as follows:

| Month(s) | Hours x per month | Hourly = rate allowed | Qualified wages per month |
|----------|----------------------|--------------------------|------------------------------|
| 1 | 175 | \$ 8.00 | \$1,400.00 |
| 2 | 170 | \$ 8.50 | \$1,445.00 |
| 3 | 170 | \$12.00 | \$2,040.00 |

Record Keeping

Retain a copy of VoucherCert 10-07 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule of the first 60 months of employment showing (at least) the following:

- Employee's name.
- Date the employee was hired.
- Number of hours the employee worked for each month of employment.
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage.
- Location of the employee's job site and duties performed.
- Records of any other federal or state subsidies received for hiring the qualified employee.
- Total qualified wages per month for each month of employment.

Instructions for Worksheet IA – Hiring Credit Computation & Recapture

Section A – Credit Computation

Line 1, column (a) – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

No other California jobs tax credit may be claimed for the same wage expense paid to employees shown in line 1, column (a).

Important: An employee that is a qualified employee for the Targeted Tax Area hiring credit is not a qualified employee for the New Jobs credit.

Line 1, column (b) through column (f) – Enter in the appropriate column, the qualified wages paid or incurred during the taxable year to each employee listed in column (a).

Line 2, column (b) through column (f) – Add the amounts in each column.

Line 3, column (b) through column (f) – Multiply the total in each column of line 2 by the percentage in each column.

Line 4

- A. For partnerships, enter the amount from line 4 on form FTB 3809, Side 1, Part I, line 1a. Include the current year hiring credit amount on Form 565 and Form 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1 line 15f. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).
- B. For corporations, individuals, estates, and trusts, enter the amount from line 4 on Schedule Z, as follows:
- Part II, line 8B, column (b) for corporations, individuals, estates, and trusts.
 - Part III, line 10, column (b) for S corporations.
 - Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Important: Affiliated corporations that received credits assigned under R&TC Section 23663, do not include the assigned credits received on this worksheet. Those credits are entered and tracked on form FTB 3544A.

Credit Limitations

- The amount of hiring credit claimed may not exceed the amount of tax on TTA business income in any year. Use Schedule Z on Side 2 of form FTB 3809 to compute the credit limitation.
- In the case where the business is qualified to take the TTA hiring credit as well as another credit (e.g., EZ, MEA, or LAMBRA hiring credit) for the same wage expense, the business may claim only one credit.
- S corporations may claim only 1/3 of the TTA hiring credit against the 1.5% entity-level tax (3.5% for financial S corporations). S corporations can pass through 100% of the credit to their shareholders. The 1/3 of the credit can be carried over if it cannot be used in the current year. The remaining 2/3 must be disregarded and may not be carried over.

Worksheet IA Hiring Credit Computation & Recapture – Targeted Tax Area

Section A Hiring Credit Computation

| Qualified wages paid or incurred for year of employment | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| (a) Employee's name | (b) 1st year | (c) 2nd year | (d) 3rd year | (e) 4th year | (f) 5th year |
| 1 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 2 Total. See instructions | | | | | |
| | .50 | .40 | .30 | .20 | .10 |
| 3 Multiply line 2 by the percentage for each column. See instructions | | | | | |
| 4 Add line 3, column (b) through column (f). See instructions. You cannot take the TTA hiring credit as well as another credit for the same wage expense. | | | | | |
| | | | | | |

Section B Hiring Credit Recapture

| (a) Terminated employee's name | (b) Recapture amount |
|--|-------------------------|
| 1 | |
| | |
| 2 Total amount of credit recapture. Add the amount in column (b). See instructions for where to report on your California tax return | 2 |

Section B – Credit Recapture

Recapture (add back to the tax liability) the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of the following:

- The first 270 days of employment (whether or not consecutive).
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees must recapture the amount of hiring credit attributable to the employee's wages if both of the following apply:

- The employer terminates the employee before the completion of 270 days of employment.
- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

The credit recapture does not apply if the termination of employment was any of the following:

- Voluntary on the part of the employee.
- In response to misconduct of the employee.
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual).
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked.
- Due to a substantial reduction in the employer's trade or business operations.

Enter the name(s) of employee(s) even if one of the above exceptions to recapture is met.

Line 1, column (a) – Enter the name of the terminated employee(s). Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of credit recapture for each employee listed in column (a).

Line 2 – Enter the amount from line 2, column (b) on form FTB 3809, Side 1, Part V, line 5.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 63.

- Long Form 540NR, line 73.
- Form 541, line 21b and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3809" in the space provided on the schedule or form.

Partnerships identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of the credit that was previously claimed, based on the terminated employee's wages. In addition, identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

Line 1B – Sales or Use Tax Credit

Individuals, estates, trusts, and partnerships may claim an annual credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property per taxable year.

Corporations may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property per taxable year. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase up to \$1 million of qualified property. See the example in the next column.

Qualified property is machinery or machinery parts used to perform the following:

- Manufacture, process, fabricate, or otherwise assemble a product.
- Produce renewable energy resources.
- Control air or water pollution.

In addition, qualified property is defined as follows:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines.
- Motion picture manufacturing equipment central to production and postproduction including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the property **exclusively** within the boundaries of the TTA. Qualified property must be purchased and placed in service after the TTA received its designation and before the TTA designation expires.

The use tax paid or incurred on purchases of property outside California qualifies for the credit only if property of a comparable quality and price was not timely available in California at the time it was purchased.

Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see federal Revenue Ruling 55-540, and FTB Legal Ruling 94-2.

Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the TTA business income in any year.
- Any unused credit may be carried over and applied against the tax on TTA business income in future years until exhausted.
- In the case where the business is qualified to take the TTA sales or use tax credit as well as another state credit (e.g. enterprise zone sales or use tax credit, or LAMBRA sales or use tax credit) for the same piece of property, the business may only claim one credit for that property.

Depreciation

Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

Example:

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5% (.015).

The credit allowed XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are computed as follows:

| Facts | Depreciable basis |
|--|-------------------|
| Qualified property | \$20 m. |
| Sales tax paid (\$20 m. x .06) | +1.2 m. |
| Sales or use tax credit allowed XYZ Inc. | (1.2 m.) |
| Depreciable basis of qualified property for XYZ Inc. | \$20 m. |
| Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3) | \$0.4 m. |

XYZ Inc. has two 50% shareholders. The credit passed through to the shareholders and the depreciable basis of the qualified property for the shareholders are computed as follows:

| Facts | Depreciable basis |
|--|-------------------|
| Qualified property (purchased by XYZ Inc.) | \$20 m. |
| Sales tax paid (\$20 m. x .06) | +1.2 m. |
| Maximum qualified costs for sales or use tax credit is 1m. | |
| Sales or use tax credit allowed to the shareholders (\$1 m. x .06) | (.06 m) |
| Depreciable basis of qualified property for the shareholders | \$21.14 m. |
| Total amount of credit allowed to the shareholders | .06 m. |

Each shareholder is allowed a pass-through credit of \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

Depreciation Forms

To compute the difference between California and federal depreciation, use the following forms or schedules:

- Form 100 or Form 100W filers – FTB 3885, Corporation Depreciation and Amortization.
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization.
- Form 109 filers – Form 109, Schedule J, Depreciation.
- Exempt trusts – FTB 3885F, Depreciation and Amortization.
- Form 540 and Long Form 540NR filers – FTB 3885A, Depreciation and Amortization – Adjustments.
- Form 541 filers – FTB 3885F, Depreciation and Amortization.
- Form 565 filers – FTB 3885P, Depreciation and Amortization.
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe the following:

- The property purchased (such as serial numbers, etc.).
- The amount of sales or use tax paid or incurred on its purchase.
- The location where it is used.
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

Instructions for Worksheet IB – Sales or Use Tax Credit

Line 1, column (a) – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the cost of the property listed in column (a).

Line 1, column (c) – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

Line 2, column (b) – Add the amounts in line 1, column (b). This amount cannot exceed \$1 million for individuals, estates, trusts, partnerships, or \$20 million for corporations per taxable year. When computing the amount of credit to pass through to S corporation shareholders, use the \$1 million limitation.

Line 2, column (c)

- For partnerships, enter the amount from line 2, column (c), on form FTB 3809, Side 1, Part I, line 1b. Also, include the current year sales or use tax credit amount on Form 565 or Form 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1 line 15f.
- For corporations, individuals, estates, and trusts, enter the amount from line 2, column (c) on Schedule Z, as follows:
 - Part II, line 9B, column (b) for corporations, individuals, estates, and trusts.
 - Part III, line 11, column (b) for S corporations.
 - Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Important: Affiliated corporations that received credits assigned under R&TC Section 23663, do not include the assigned credits received on this worksheet. Those credits are entered and tracked on form FTB 3544A.

Only the sales or use tax paid or incurred on the cost of qualified property up to the limitations in column (b) may be claimed as a credit.

Part II – Business Expense Deduction

Certain businesses conducting a qualified trade or business within the TTA may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost in the current year rather than depreciate it over several years.

The TTA business expense deduction is not allowed for estates and trusts.

Qualified property is any recovery property that is IRC Section 1245 property which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase after the TTA received its final designation and before the designation expires for exclusive use within the TTA. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the TTA received its final designation. The TTA received final designation on November 1, 1998.

The maximum aggregate cost is:

| | |
|---|-----------|
| Taxable year of designation | \$100,000 |
| 1st taxable year after designation . . . | \$100,000 |
| 2nd taxable year after designation . . . | \$75,000 |
| 3rd taxable year after designation . . . | \$75,000 |
| Each remaining taxable year after designation | \$50,000 |

Election

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service.

Worksheet IB Sales or Use Tax Credit – Targeted Tax Area

| | (a) Property description and location | (b) Cost | (c) Sales or use tax |
|---|--|-------------|-------------------------|
| 1 | | | |
| | | | |
| | | | |
| 2 | Total the amounts in column (b) and column (c). See instructions | 2 | |

However, the TTA business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group.
- Acquired as a gift or inherited.
- Traded for other property.
- Received from a personal or business relation as defined in IRC Section 267 or 707(b).
- Described in IRC Section 168(f).

The TTA business expense deduction must be claimed by making an election on the original tax return filed, and thus cannot be claimed on an amended tax return. Such an election cannot be revoked without the written consent of the FTB.

A taxpayer and spouse/RDP filing separate tax returns may each claim 50% of the allowable deduction. In the case of a partnership, the 40% limitation applies to the partnership and to each partner.

Depreciation

If the business elects to deduct the amount computed in Worksheet II Section A (see page 9), as a business expense, reduce the depreciable basis of the property by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

Normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable year following the taxable year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

To compute the difference between California and federal depreciation, use the forms or schedules listed on page 7.

Instructions for Worksheet II – Business Expense Deduction & Recapture

Section A – Deduction Computation

Line 2, column (a) – Enter a description of the property and the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 2, column (b) – Enter the cost of the property listed in column (a).

Line 5 – Enter the amount from line 5, column (b) on form FTB 3809, Side 1, Part II, line 2, and on your California tax return or schedule as follows:

- Form 100 and Form 100W, line 15.
- Form 100S, line 12, Form 100S, Schedule K, line 11, and Schedule K-1 (100S), line 11.
- Form 109, Part II, line 24.
- Schedule CA (540), column B, on the applicable line for your business activity.
- Schedule CA (540NR), column B, on the applicable line for your business activity.
- Form 565, Schedule K, line 12 and Schedule K-1 (565), line 12.
- Form 568, Schedule K, line 12 and Schedule K-1 (568), line 12.

Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the TTA trade or business.

Income Adjustment: Add to current year income the amount previously deducted for the property.

Basis Adjustment: As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis in the year of recapture and then depreciated over the remaining life of the qualified property.

Line 1, column (a) – Enter a description of the property. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of the business expense deduction claimed for each property listed in column (a).

Line 2 – Enter the total on form FTB 3809, Side 1, Part V, line 6, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount.
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 10b, and Schedule K-1 (100S), line 10b.
- Form 100W, line 15, as a **negative** amount.
- Form 109, Part I, line 12.
- Schedule CA (540), column C, on the applicable line for your business activity.
- Schedule CA (540NR), column C, on the applicable line for your business activity.
- Form 565, Schedule K, line 11 and Schedule K-1 (565), line 11.
- Form 568, Schedule K, line 11 and Schedule K-1 (568), line 11.

Example:

XYZ Inc. purchased a property on June 1, 2009 that qualified the corporation to take the TTA business expense deduction. The property was purchased for \$10,000 and it had a useful life of five years. XYZ Inc.'s taxable year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the taxable year ending December 31, 2009 on the property.

Assume the corporation disposes of the property or no longer uses the property in the TTA on August 5, 2011. The property was placed in service in 2009. The first year after the property was placed in service was the 2010 taxable year. The second year after the property was placed in service was the 2011 taxable year. Since the property was disposed of or no longer used in the TTA before the end of the second year (December 31, 2011) after the year the property was placed in service, the business expense deduction (\$4,000) must be added to income in the 2011 taxable year. If the property was disposed of or no longer used in the TTA after December 31, 2011, there is no recapture.

Situation 1

Assume on August 5, 2011, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

Situation 2

Assume on August 5, 2011, the corporation discontinued using the property in the zone, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset. Assuming straight-line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2010. (\$8,500 is arrived at by adding the \$4,000 recapture amount to the \$4,500 remaining basis as of December 31, 2010.)

Worksheet II Business Expense Deduction & Recapture – Targeted Tax Area**Section A Deduction Computation**

1 The maximum aggregate deduction is as follows:

- Taxable year of designation, enter \$40,000
- 1st taxable year after designation, enter \$40,000
- 2nd taxable year after designation, enter \$30,000
- 3rd taxable year after designation, enter \$30,000
- Each remaining taxable year after designation, enter \$20,000

1

| (a) Property description and location | (b) Cost |
|--|-------------|
| 2 | |
| | |
| | |
| 3 Total. Add line 2, column (b) | 3 |
| 4 Multiply line 3 by 40% (.40) | 4 |
| 5 Enter the smaller of line 1 or line 4. This is the maximum amount deductible as a business expense for the TTA. See instructions | 5 |

Section B Deduction Recapture

| (a) Property description | (b) Recapture amount |
|--|-------------------------|
| 1 | |
| | |
| | |
| 2 Total recapture amount. Add line 1, column (b). See instructions | 2 |

Part III – Portion of Business Attributable to the Targeted Tax Area

TTA tax credits are limited to the tax on business income attributable to operations within the TTA. TTA deductions are limited to business income attributable to operations within the TTA. If the business is located within and outside the TTA, determine the portion of total business operations that are attributable to the TTA. Each taxpayer must complete one form FTB 3809 for each zone, and therefore, must also compute the income limitation for each zone.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the TTA to determine the incentive limitation.

Business income is defined as income arising from transactions and activities in the regular

course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for further references and examples of nonbusiness income.

For Corporations and entities doing business in and outside of the TTA, use Worksheet III, Section A and B, to determine the TTA apportionment factor to determine the amount of business income attributable to the Targeted Tax Area.

Pass-through entities must report to their shareholders, beneficiaries, partners, and members the following items:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the TTA.

2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the TTA included in item 1.
3. The distributive (or pro-rata for S Corporation) share of the TTA property and payroll to corporate partners, members, shareholders, beneficiaries.

Report these items as other information on Schedule K-1 (100S, 541, 565, or 568.)

For an individual, use Worksheet III, Section C to determine business income attributable to the TTA. Business income includes, but is not limited to, California business income or loss from federal Form 1040, Schedules C,D,E,F, and California Schedule D-1 (or federal Form 4797, Sales of Business Property, if California Schedule D-1 is not needed), as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 Schedule A as itemized deductions.

Generally, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income from the TTA.

Apportionment

Business income is apportioned to the TTA by multiplying the **total California business income** of the taxpayer by a fraction. The numerator which is the property factor plus the payroll factor, and the denominator which is two. Loss is apportioned to the TTA by multiplying the taxpayer's **total overall business loss** by a fraction. If a taxpayer conducts businesses in more than one TTA, the TTA apportionment factor and credit limitations are computed separately for each TTA.

Property Factor

Property factor is defined as the average value of all real and tangible personal property owned or rented by the taxpayer and used during the taxable year to produce business income.

Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

Payroll Factor

Payroll is defined as the total amount paid to the business' employees as compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

Compensation Within the TTA

Compensation is considered to be within the TTA if any one of the following tests is met:

1. The employee's services are performed within the geographical boundaries of the TTA.
2. The employee's services are performed within and outside the TTA, but the services performed outside the TTA are incidental to the employee's service within the TTA.

Incidental means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the TTA, the employee's compensation is attributed to the TTA if any one of the following items is met:

- A. The employee's base of operations is within the TTA.
- B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the TTA.
- C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the TTA.

Base of operations is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

Corporations Filing a Combined Report

When determining the income attributable to the TTA, the business income of each corporation doing business in the TTA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for further information on combined reports and entity income apportionment. Each corporation computes the income attributable to the TTA by multiplying California business by TTA apportionment factor computed in Worksheet III, Section A. The TTA property and payroll factors used in the determination of TTA income includes only the taxpayer's California amounts in the denominator.

When determining the loss attributable to the TTA, the business income is the total unitary business income. Get FTB Pub. 1061 for more information on combined reports. Each corporation computes the loss attributable to the TTA by multiplying the unitary business income by the TTA apportionment factor computed in Worksheet III, Section B. The TTA property and payroll factors used to determine the TTA income includes only the taxpayer's overall amounts from all its business operations in the denominator.

Example: Computation of TTA income assigned to each entity operating within the TTA

Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the TTA. The combined reporting group operates within and outside California and apportions its income to California using Schedule R. Assume the combined reporting group's business income apportioned to California was \$1,000,000 and Corporation A and B's share of business income assigned to California is \$228,000 and \$250,000 respectively. Corporation A and B's separate TTA and

separate California property and payroll factor amounts are shown below.

Business income apportioned to the TTA is determined as follows:

| | A | B |
|---|-------------|-------------|
| Property Factor | | |
| TTA Property | \$1,000,000 | \$ 800,000 |
| California Property | \$1,000,000 | \$1,200,000 |
| Apportionment % | 100% | 66.66% |
| Payroll Factor | | |
| TTA Payroll | \$ 800,000 | \$ 800,000 |
| California Payroll | \$ 800,000 | \$1,000,000 |
| Apportionment % | 100% | 80% |
| Average Apport. % (Property + Payroll Factors) 2 | 100% | 73.33% |
| Apportioned Business Income | \$ 228,000 | \$ 250,000 |
| TTA Business Income | \$ 228,000 | \$ 183,325 |

Instructions for Worksheet III – Income or Loss Apportionment

Section A – Income Apportionment

If the business operates solely within the TTA and all its property and payroll are solely within the TTA, enter 100% (1.00) on line 4, of Section A and Section B, column (c). Do not complete the rest of Worksheet III.

Use Worksheet III, Section A, Income Apportionment, to determine the amount of business income apportioned to the TTA. The apportioned TTA business income determines the amount of the tax incentives that can be used. A taxpayer's TTA business income is its California business income multiplied by the specific TTA apportionment percentage computed in Worksheet III, Section A.

Property Factor

When determining the income apportioned to the TTA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the TTA during the taxable year to produce TTA business income, see Worksheet III, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet III, Section A, column (a).

Payroll Factor

When determining income apportioned to the TTA, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the TTA during the taxable year, see Worksheet III, Section A, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to employees working in the Targeted Tax Area, see Worksheet III, Section A, column (a).

Section B – Loss Apportionment

Use Worksheet III Section B, Loss Apportionment, to determine your NOL apportioned to the TTA. A taxpayer's TTA NOL is its net business operating loss from all sources multiplied by the specific TTA apportionment percentage computed in Worksheet III, Section B.

Property Factor

When determining the loss apportionment to the TTA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the TTA during the taxable year to produce TTA business income, see Worksheet III, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California, see Worksheet III, Section B, column (a).

Payroll Factor

When determining loss apportionment to the TTA, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the TTA during the taxable year. See Worksheet III, Section B, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to **employees working in California**, see Worksheet III, Section B, column (a).

Section C – Income or Loss

Form 540 and Long Form 540NR filers, use Worksheet III, Section C to determine the amount to enter on the following:

- Worksheet IV, Section A, line 1
- Worksheet IV, Section C, line 1 and line 6
- Schedule Z, Part I, line 1 and line 3

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the TTA. A taxpayer's TTA business income is its California apportioned business income computed using Schedule R, multiplied by the specific TTA apportionment percentage computed using Worksheet III, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income is apportioned to the TTA. See Part III, Portion of Business Attributable to the Targeted Tax Area, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Form 1040 Schedule C, C-EZ, E, F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA.

Worksheet III Income or Loss Apportionment – Targeted Tax Area

Section A Income Apportionment

Use Worksheet III, Section A, if your business has net income from sources within and outside the TTA.

PROPERTY FACTOR

- 1** Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.

| | | | |
|--|--|--|--|
| Inventory | | | |
| Buildings | | | |
| Machinery and equipment | | | |
| Furniture and fixtures | | | |
| Delivery equipment | | | |
| Land | | | |
| Other tangible assets (attach schedule) | | | |
| Rented property used in the business. See instructions | | | |
| Total property values | | | |

PAYROLL FACTOR

- 2** Employees' wages, salaries, commissions, and other compensation related to business income included in the tax return.

| | | | |
|--------------------------------|--|--|--|
| Total payroll | | | |
|--------------------------------|--|--|--|

- 3** Total percentage – sum of the percentages in column (c)

- 4** Average apportionment percentage (1/2 of line 3).

| | | | |
|---|--|--|--|
| Enter here and on form FTB 3809, Side 1, line 3 | | | |
|---|--|--|--|

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the TTA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the TTA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

Worksheet III Income or Loss Apportionment – Targeted Tax Area (continued)**Section B Loss Apportionment (For the computation of current year net operating loss only)**

Use Worksheet III, Section B, if your business has net losses from sources within and outside the TTA.

| | (a) Total within and outside the TTA | (b) Total within the TTA | (c) Percentage within the TTA column (b) ÷ column (a) |
|---|--|--------------------------------|---|
| PROPERTY FACTOR | | | |
| 1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress. | | | |
| Inventory | | | |
| Buildings | | | |
| Machinery and equipment | | | |
| Furniture and fixtures | | | |
| Delivery equipment | | | |
| Land | | | |
| Other tangible assets (attach schedule). | | | |
| Rented property used in the business. See instructions for more information. | | | |
| Total property values | | | |
| PAYROLL FACTOR | | | |
| 2 Employees' wages, salaries, commissions, and other compensation related to business income included in the tax return. | | | |
| Total payroll | | | |
| 3 Total percentage – sum of the percentages in column (c) . . | | | |
| 4 Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet IV, Section B, line 4. | | | |

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the TTA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the TTA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

Worksheet III Income or Loss Apportionment-Targeted Tax Area (continued)**Section C Income or Loss****Part I Individual Income and Expense Items.** See instructions.

| | (a) Amount | (b) Percentage of time providing services in the TTA | (c) Apportioned amount (a) x (b) |
|---|---------------|--|--|
| 1 Wages..... | | | |
| 2 Employee business expenses..... | | | |
| 3 Total. Combine line 1, column (c) and line 2, column (c)..... | | | |

Part II Pass-Through Income or Loss. See instructions.

| (a) Name of entity | (b) Distributive or pro-rata share of business income or loss apportioned to the TTA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses |
|--------------------------------------|---|
| 4 | |
| 5 Total. Add line 4, column (b)..... | |

Part III Taxpayer's Trade or Business. See instructions.

| | (a) Business income or loss | (b) Apportionment percentage for the TTA | (c) Apportioned income or loss (a) x (b) |
|---|---------------------------------|--|--|
| 6 Schedule C or C-EZ..... | | | |
| 7 Schedule E (Rentals)..... | | | |
| 8 Schedule F..... | | | |
| 9 Other business income or loss..... | | | |
| 10 Total. Add line 6 through line 9, column (c)..... | | | |
| | (a) Business gain or loss | (b) Apportionment percentage for the TTA | (c) Apportioned gain or loss (a) x (b) |
| 11 Schedule D..... | | | |
| 12 Schedule D-1..... | | | |
| 13 Total. Add line 11, column (c) and line 12, column (c)..... | | | |
| 14 Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b) See instructions..... | | | |

Part I – Individual Income and Expense Items**Wages**

For taxpayers with wages from a company located within and outside the TTA, determine the TTA wage income by entering the percentage of the time that they worked within the TTA in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. Determine this percentage based on their record of time and events such as a travel log or entries in a daily planner.

Part II – Pass-Through Income or Loss**Multiple Pass-Through Entities**

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside the TTA from which you received TTA tax incentives, see the example below for computing business income in the TTA.

Example:

| Pass-through entity | Trade or business income from Schedule K-1 (100S, 541, 565, or 568) | Entity's TTA apportionment percentage | TTA apportioned income |
|---------------------|---|---------------------------------------|------------------------|
| ABC, Inc. | \$40,000 | 80% | \$32,000 |
| A, B, & C | 30,000 | 10% | 3,000 |
| ABC, LLC | 10,000 | 50% | 5,000 |
| Total | | | \$40,000 |

Part III – Taxpayer's Trade or Business**Business Income or Loss**

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also, include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

Income Computation Located Entirely Within the TTA**Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

Located Entirely Within California**Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section C, column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage figure in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section C, column (b).

Located Within and Outside the TTA and California**Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA and California, get California Schedule R and complete line 1 through line 18b and line 28 through line 31. Enter the amount from Schedule R, line 18b and line 31 in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section C, column (b).

When computing Schedule R, disregard any reference to Forms 100, 100S, 100W, 565, or 568. Also, disregard any reference to Schedules R-3, R-4, or R-5.

Nonresidents that have an apportioning business that operates within the TTA should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents complete a Schedule R in order to determine their California source business income for purposes of the TTA credit computation.

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To

determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section C, column (b).

Line 14

If you are computing the TTA NOL and the result on Worksheet III, Section C, line 14, column (c) is a **negative** amount, enter this amount on Worksheet IV, Section A, line 1.

If the amount is **positive**, you do not have a TTA NOL.

If you are computing the TTA business income and the result on Worksheet III, Section C, line 14, column (c) is a **positive** amount and:

- You have TTA NOL carryovers, enter the amount on Worksheet IV, Section C, line 1 and line 6 (skip line 2 through line 5).
- You have TTA credits or credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

If the amount is **negative**, you do not have any business income attributable to the TTA and you cannot utilize any TTA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

Loss Computation**Located Entirely Within the TTA****Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

Located Within and Outside the TTA**Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section B. Enter the percentage from Worksheet III, Section B, line 4, column (c) on Worksheet III, Section C, column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section B. Enter the percentage from Worksheet III, Section B, line 4, column (c) on Worksheet III, Section C, column (b).

Line 14

See instructions for line 14, Worksheet III, Section C, Part III, under Income Computation in column 2 on this page.

Part IV – Net Operating Loss (NOL) Carryover and Deduction

For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period to 20 taxable years following the year of the loss. Also, California will allow NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January 1, 2011, to be carried back to each of the preceding two taxable years. See instructions for Worksheet IV, Section C on page 15 for more information.

For taxable years beginning in 2002 and 2003, California had suspended the NOL carryover deduction. Taxpayers continued to carryover an NOL during the suspension period. The carryover period for suspended losses was extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred on or after January 1, 2002, and before January 1, 2003. The deduction for disaster losses was not affected by the NOL suspension rules. See instructions for Worksheet IV, Section C on page 15 for more information on the suspension of the NOL carryover deduction for taxable years beginning in 2008 through 2011.

The business cannot generate NOLs from activities within the TTA before the first taxable year beginning on or after the date the TTA is officially designated or for the taxable years ending after the designation expires. The Tulare County TTA received final designation on November 1, 1998.

Limitation

A TTA NOL deduction can only offset business income attributable to operations within the TTA.

Election

Elect and designate the carryover category (general or specific, enterprise zone, LAMBRA, TTA, or Pierce's disease NOL) on the original tax return for the year of a loss and file form FTB 3809 for each year in which a TTA NOL deduction is being taken. The election is **irrevocable**.

If you elect the TTA NOL deduction, you are prohibited by law from carrying over any other type of NOL (relating to TTA activities) from this year.

To determine which type of NOL will provide the greatest benefit, businesses that have general or specific EZ, LAMBRA, TTA NOLs, or that may qualify for the special NOL treatment, should estimate future income and complete Worksheet IV and the following forms or worksheets if applicable:

- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations.

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts.
- FTB 3805Z, Enterprise Zone Business Booklet, Schedule Z.
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V.

Alternative Minimum Tax

Taxpayers claiming a TTA NOL deduction determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

S Corporations

TTA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a TTA NOL incurred after the “S” election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

NOL Carryover Amount – Businesses Operating Totally Within the TTA

For taxpayers with all payroll and property within the TTA, the NOL carryover is determined by computing the business loss that results from business activity within the TTA.

NOL Carryover Amount – Businesses Operating Within and Outside the TTA

If the business is located within and outside the TTA, the loss amount available for carryover is determined by apportioning the total business loss of the entity to the TTA pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101), with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and compare TTA property and payroll to total property and payroll. The loss is calculated on Worksheet IV, Section A for individuals and exempt trusts, and Worksheet IV, Section B for corporations. The apportionment factor computation is calculated on Worksheet III, Section B for business entities and Worksheet III, Section C for individuals. The loss carryover is deducted from income apportioned by each business to the TTA in subsequent years. This computation is done on Worksheet IV, Section C.

Corporations that are members of a unitary group filing a combined report separately compute loss carryover for each corporation in the group (R&TC Section 25108) using individual apportionment factors.

Unlike the NOL treatment on a federal consolidated tax return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For any water’s-edge taxpayer, R&TC Section 24416.20(c) imposes a limitation on the NOL deduction, if the NOL is generated during a non-water’s edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is determined by computing the income and factors of the original worldwide combined reporting group, as if the water’s-edge election had been in force for the year of the loss. R&TC Section 24416.20(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, but not increased.

Instructions for Worksheet IV – Net Operating Loss (NOL) Computation and Loss Limitations

Individuals and exempt trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals, exempt trusts, and corporations with current year income and a prior year TTA NOL carryover complete Section C.

Section A – Computation of Current Year NOL – Individuals and Exempt Trusts

Use this section to compute the TTA NOL to be carried over to future years by individuals and exempt trusts. Complete Section A only if you have a current year loss.

Complete form FTB 3805V before computing the allowable TTA loss.

To compute the TTA NOL, separate business income and deductions from nonbusiness income and deductions.

Line 1 – See Part III for a complete discussion of business and nonbusiness income.

Section B – Computation of Current Year NOL – Corporations

Use this section to compute the TTA NOL to be carried over to future years for corporations. Complete Section B only if the corporation has a current year loss.

Complete form FTB 3805Q, before computing the allowable TTA loss.

Section C – Computation of NOL Carryover and Carryover Limitations – Individuals, Exempt Trusts, and Corporations

For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction. Taxpayers may continue to compute and carryover NOLs during the suspension period. **However**, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or with modified adjusted gross income (individuals) of less than \$300,000, **or** with disaster loss carryovers are not affected by the NOL suspension rules.

Corporations use line 18 of Forms 100 and 100W, or line 15 less line 17 of Form 100S to determine net income after state adjustments (pre-apportioned income).

Individuals use the amount shown on your federal tax return for the same taxable year without regard to the federal NOL deduction (540/540NR, Line 13, plus the federal NOL deduction listed on Schedule CA (540/540NR) column C, line 21c).

The carryover periods for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008 - 2011 suspension, are extended by:

- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010.
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

Also, California modified the NOL carryback provision. NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January 1, 2011, may be carried back to each of the preceding two taxable years.

The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after:

- January 1, 2013, and before January 1, 2014, the carryback amount shall not exceed 50% of the NOL.
- January 1, 2014, and before January 1, 2015, the carryback amount shall not exceed 75% of the NOL.
- January 1, 2015, the carryback amount shall be 100% of the NOL.

The TTA NOL deduction is used to reduce current year income from the TTA. Use this worksheet to compute the TTA NOL deduction for corporations, individuals, and exempt trusts.

Line 1 – See Part III (page 9) for a discussion of business and nonbusiness income.

Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040, Schedule A, as itemized deductions.

Exception: If you elected to carry back part or all of your current year disaster loss, under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in the current year business income for the TTA.

Line 2 – In modifying your income, deduct the capital losses only up to the amount of capital gains. Enter any net capital losses included in line 1 as a positive number.

Line 3 – Corporations reduce income by the disaster loss deduction and the deduction for excess net passive income.

Line 6 – This is your modified taxable income (MTI). Reduce the MTI amount by your TTA NOL deduction. The TTA NOL deduction may not be larger than your MTI. If your MTI is

a loss in the current year or if it limits the amount of NOL you may use this year, carry over the NOL to future years.

Line 7 – Enter the amount from line 6. If this amount is zero or negative, transfer the amount(s) from line 8 through line 19, column (b) to column (e). Go to line 20.

Caution: Your NOL may be suspended. See the explanation under instructions for Worksheet IV, Section C. If your NOL is suspended do not put any amounts in column (c). Carryover the column (b) amount(s) to column (e).

Line 8 through Line 20 – Enter the amounts on line 8 through line 20 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

Example:

| (b) Carryover from prior year | (c) Amount deducted this year | (d) Balance available to offset losses | (e) TTA NOL carryover |
|--|--|---|-----------------------------|
| | | \$5,000 | |
| \$ 500 | \$ 500 | 4,500 | \$ 0 |

Line 21 – Enter the amount of your current year NOL in column (e). For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

Line 22 – Total the amounts in columns (b), (c), and (e). Enter the totals from column (b) and column (e) on form FTB 3809, Side 1, line 4a and line 4c, accordingly.

Your TTA NOL deduction for 2011 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21
- Form 100S, line 19
- Form 100W, line 21
- Form 109, line 6
- Schedule CA (540), line 21e, column B
- Schedule CA (540NR), line 21e, column B

Worksheet IV Net Operating Loss (NOL) Computation and Loss Limitations – Targeted Tax Area

Section A Computation of Current Year Net Operating Loss – Individuals and Exempt Trusts

| | | |
|--|----------|--|
| 1 Net trade or business loss from all sources. Individuals: Enter the total from Worksheet III, Section C, line 14, column (c) as a positive number. For purposes of this worksheet section, do not include any 2011 losses or disaster loss carryovers in line 1. See instructions for definition of business income. Exempt Trusts: Enter the amount from Form 109, line 4. | 1 | |
| 2 Total business capital losses included in line 1. Enter as a positive number | 2 | |
| 3 Total business capital gains included in line 1 | 3 | |
| 4 If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0- | 4 | |
| 5 Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from the TTA | 5 | |
| 6 Enter the amount from form FTB 3805V, Part I, Section A, line 20 | 6 | |
| 7 Enter the smaller of line 5 or line 6 here and in Section C, line 20, column (e) | 7 | |
| This is the TTA NOL carryover to 2011. | | |

Section B Computation of Current Year Net Operating Loss – Corporations. If you have a TTA NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

☐ C corporation ☐ S corporation ☐ Exempt corporation

| | | |
|--|-----------|--|
| 1 Net loss for state purposes from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. Apportioning corporations, enter the amount from Schedule R, line 14 plus line 17 | 1 | |
| 2 a 2009 disaster relief loss included in line 1. Enter as a positive number | 2a | |
| b Nonbusiness income included in line 1. Enter as a negative number | 2b | |
| c Nonbusiness losses included in line 1. Enter as a positive number | 2c | |
| d Combine line 2a through line 2c. | 2d | |
| 3 Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL | 3 | |
| 4 Enter the average apportionment percentage from Worksheet III, Section B, line 4 | 4 | |
| 5 Multiply line 3 by line 4 | 5 | |
| 6 Enter the amount from form FTB 3805Q, Part I, line 3 | 6 | |
| 7 Enter the smaller of line 5 or line 6 here and in Section C, line 20, column (e) | 7 | |
| This is the TTA NOL carryover to 2012. | | |

Worksheet IV NOL Computation and Loss Limitations – Targeted Tax Area (continued)**Section C Computation of NOL Carryover and Carryover Limitations – Individuals, Exempt Trusts, and Corporations.** See instructions.

| | | | | |
|------------|--|-----------|--|--|
| 1 | Enter the amount from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 4. Form 540 and Long Form 540NR filers, enter the total from Worksheet III, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations which file a combined report, enter the taxpayer's business income assigned to California (See instructions Part III) | 1 | | |
| 2 a | Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank. | 2a | | |
| b | Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank. | 2b | | |
| c | Combine line 2a and line 2b | 2c | | |
| 3 | Form 100 or Form 100W filers: Enter the amount from Form 100 or Form 100W, line 22. Form 100S filers: Enter the total of the amount from Form 100S, line 17 and line 20. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number. | 3 | | |
| 4 | Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6. | 4 | | |
| 5 | Enter the average apportionment percentage from Worksheet III, Section A, line 4 | 5 | | |
| 6 | Modified taxable income. Multiply line 4 by line 5. See instructions | 6 | | |

| (a) Description | (b) Carryover from prior year | (c) Amount deducted this year | (d) Balance available to offset losses | (e) TTA NOL carryover to 2012 |
|--|-------------------------------------|-------------------------------------|--|-------------------------------------|
| 7 Modified taxable income from line 6 | | | | |
| 8 TTA NOL carryover beginning in 1998 | | | | |
| 9 TTA NOL carryover beginning in 1999 | | | | |
| 10 TTA NOL carryover beginning in 2000 | | | | |
| 11 TTA NOL carryover beginning in 2001 | | | | |
| 12 TTA NOL carryover beginning in 2002 | | | | |
| 13 TTA NOL carryover beginning in 2003 | | | | |
| 14 TTA NOL carryover beginning in 2004 | | | | |
| 15 TTA NOL carryover beginning in 2005 | | | | |
| 16 TTA NOL carryover beginning in 2006 | | | | |
| 17 TTA NOL carryover beginning in 2007 | | | | |
| 18 TTA NOL carryover beginning in 2008 | | | | |
| 19 TTA NOL carryover beginning in 2009 | | | | |
| 20 TTA NOL carryover beginning in 2010 | | | | |
| 21 TTA NOL beginning in 2011 | | | | |
| 22 Total the amounts in columns (b), (c), and (e). See instructions | | | | |

Schedule Z – Computation of Credit Limitations

Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to TTA business income. The amount of tax attributable to the TTA business income is computed in this schedule. For corporations and other entities doing business in the targeted tax area, the TTA business income is computed in this schedule using the TTA apportionment factor formula computed on Worksheet III, Section A. For individuals, the TTA business income is computed on Worksheet III, Section C.

Other Limitations to Consider

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. Partnerships allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), annual tax (partnerships and QSub), alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), built-in gains tax (S corporations), or excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

S Corporations and the Application of TTA Credits

An S corporation may use its TTA credits to reduce TTA tax at both the corporate and shareholder levels.

An S corporation may use 1/3 of the TTA credits to reduce the tax on the S corporation's TTA business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the TTA credits computed under the Personal Income Tax Law.

Example: In 2011, an S corporation qualified for a \$3,000 TTA hiring credit. The S corporation will be able to use 1/3 of the credit ($\$3,000 \times 1/3 = \$1,000$) to offset the tax on the corporation's TTA income.

The S corporation will also pass-through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on TTA income.

S corporations should attach form FTB 3809 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits.

Shareholders should attach Schedule(s) K-1 (100S), to their individual tax return.

Carryover

If the amount of credit available this year exceeds your TTA tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level business tax. See the instructions for Schedule Z, Part III, for more information.

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. For more information, get Schedule C (100S), S Corporation Tax Credits.

Credit Code Number

Use credit code number **210** to claim the TTA hiring and sales or use tax credits on your tax return. Using an incorrect code number may cause a delay in allowing the credit(s).

Instructions for Schedule Z – Computation of Credit Limitations

Reporting Requirements of S Corporations, Estates and Trusts, and Partnerships

- Partnerships and LLC's treated as partnerships do not complete Schedule Z. The partners and members of these types of entities should compute their TTA income from all sources by completing the Schedule Z to determine the amount of TTA credits that they may claim on their California tax return. For individual partners, report the distributive share of all the business income apportioned to the TTA. For corporate partners, report the distributive share of the TTA property and payroll. Report these items as other information on Schedule K-1 (565).
- S corporations and their shareholders complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, losses, and deductions apportioned to the TTA; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the TTA included in the amount above.

S Corporations

Complete only Part I and Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

Corporations and S Corporations subject to the minimum franchise tax only

Complete only Part IV of Schedule Z.

All others: Complete Part I and Part II of Schedule Z.

Part I – Computation of Credit Limitations

For filers with NOLs or NOL carryovers.

- Complete Worksheet IV first if you have a current year NOL or an NOL carryover.
- Then complete Schedule Z if you have any TTA credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet III, Section C. Follow the instructions there. Enter the amount from Worksheet III, Section C, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Only business income is apportioned to the TTA to determine the incentive limitation. Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income.

For Corporations filing a combined report, the business income of each corporation doing business in the TTA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub 1061 for more information on combined reports and entity income apportionment.

Line 1 – Enter all trade or business income. See Part III for the definition of business income.

Line 2 – If your business is located entirely within the TTA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet III Section A, and represents the percentage of the entity's business income attributable to the TTA.

Line 6a – Compute the tax as if the TTA taxable income represented all of your taxable income.

Individuals

Use the tax table or tax rate schedule in your tax booklet for your filing status.

Exempt Organizations

Use the applicable tax rate in your tax booklet.

Corporations and S Corporations

Use the applicable tax rate.

If the amount on line 6a is the minimum franchise tax (\$800), you cannot use your TTA credits this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

Example: Determination of TTA Income for Shareholders, Partners, or Members of Pass-Through Entities

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within the TTA and one outside the TTA. Eighty percent (80%) of the S corporation's business is attributable to the TTA.

This percentage was determined by ABC, Inc. using Worksheet III, Section A, when ABC's S corporation tax return (Form 100S) was prepared.

John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse/RDP) works for ABC, Inc. at its office located within the TTA.

John and Jackie Anderson have the following items of California income and expense for the 2011 taxable year:

John's salary from ABC, Inc. \$100,000
 Jackie's salary from ABC, Inc. 75,000
 Interest on savings account 1,000
 Dividends 3,000
 Schedule K-1 (100S) from ABC, Inc.:
 Ordinary income 40,000
 TTA business expense deduction . . (5,000) *
 John's unreimbursed employee
 expenses from federal Schedule A . . . (2,000)
 *The TTA business expense deduction is a
 separately stated item on Schedule K-1 (100S),
 line 11.

The Anderson's TTA income (total amount to be reported on line 3) is computed as follows:

John's TTA salary
 (\$100,000 x 50%) \$50,000
 Jackie's TTA salary
 (\$75,000 x 100%) 75,000
 Pass-through ordinary income from
 ABC, Inc. (\$40,000 x 80%) 32,000
 TTA business expense deduction
 from ABC, Inc. (5,000)

John's unreimbursed
 employee business
 expenses (\$2,000 x 50%) (1,000)
 Total TTA income
 (Schedule Z, Part I, line 3) \$151,000

The standard deduction and personal or dependency exemptions are not included in the computation of TTA income since they are not related to trade or business activities. John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total TTA income of \$151,000 (as if it represents all of their income).

Line 6b – Corporations and S corporations: If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your TTA credits this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

Part II – Limitations of Credits for Corporations, Individuals, Estates, and Trusts

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of Schedule Z.

Line 8A, column (f) – Enter the amount from line 7. This is the amount of limitation based on the tax on TTA business income.

Line 8A, column (g) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (f) or the amount computed on line 8B, column (e). Enter this amount on form FTB 3809, Side 1, line 1a.

Line 8B, column (b) – Enter the amount of the current year credit that was computed on Worksheet IA, Section A, line 4.

Line 8B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed

on Worksheet IA, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year tax return.

Line 8B, column (d) – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544 column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

Line 8B, column (e) – Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c), then subtract the amount on line 8B, column (d), if any.

Line 8B, column (f) – Compare the amounts on line 8A, column (f) and line 8A, column (g). Enter the smaller amount.

Line 8B, column (h) – Subtract the amount on line 8B, column (f) from the amount on line 8B, column (e). Enter the result on line 8B, column (h). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

Line 9A, column (f) – Subtract the amount on line 8B, column (f) from the amount on line 8A, column (f). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (e) on line 9B, column (h).

Line 9A, column (g) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (f) or the amount computed on line 9B, column (e). Enter this amount on form FTB 3809, Side 1, line 1b.

Line 9B, column (b) – Enter the amount of the current year credit that was computed on Worksheet IB, line 2, column (c).

Example: Part II

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on the TTA income of \$7,000 on Schedule Z, line 7. The business has the following credits:

Hiring credit — \$500 and a \$300 carryover from a prior year
 Sales or use tax credit — \$9,000

Schedule Z, Part II would be computed as follows:

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

| | (a) Credit name | (b) Credit amount | (c) Total prior year carryover | (d) Total credit assigned from form FTB 3544 col. (g) | (e) Total credit sum of col. (b) plus col. (c), minus col. (d) | (f) Limitation based on TTA business income | (g) Credit used on Sch. P Can never be greater than col. (e) or col. (f) | (h) Total credit carryover col. (e) minus col. (f) |
|----------|----------------------------|-------------------------|---|---|--|---|---|--|
| 8 | Hiring Credit | A | | | | 7,000 | 800 | |
| | | B | 500 | 300 | —0— | 800 | 800 | —0— |
| 9 | Sales or use tax credit | A | | | | 6,200 | 6,200 | |
| | | B | 9,000 | —0— | —0— | 9,000 | 6,200 | 2,800 |

Line 9B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet IB in the prior year, minus the amount that was allowed to be taken on the prior year tax return.

Line 9B, column (d) – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544 column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

Line 9B, column (e) – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c), then subtract the amount on line 9B, column (d), if any.

Line 9B, column (f) – Compare the amounts on line 9A, column (f) and line 9A, column (g). Enter the smaller amount.

Line 9B, column (h) – Subtract the amount on line 9B, column (f) from the amount on line 9B, column (e). Enter the result on line 9B, column (h). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

Part III – Limitation of Credits for S Corporations Only

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the TTA business tax limitation (Part I, line 7) after completing this worksheet.

Line 10 and Line 11, column (b) – Enter the amounts of current year credits that were computed on Worksheet IA and Worksheet IB in column (b) for line 10 and line 11, as applicable. Also, enter this amount on Form 100S, Schedule K, line 13d.

Line 10 and Line 11, column (c) – Multiply the amounts on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations). Also, include this amount on Form 100S, Schedule C.

Line 10 and Line 11, column (d) – Enter the amounts of total prior year credit carryover. These are the credit amounts that were previously computed on the prior year Worksheet IA and Worksheet IB, minus the amounts that were allowed to be taken on the prior year tax return. Also, include this amount on Form 100S, Schedule C.

Line 10 and Line 11, column (e) – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

Line 10 and Line 11, column (f) – Enter the credit amounts that were used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in column (f) for line 10 and line 11 on form FTB 3809, Side 1, line 1a and line 1b, as applicable.

Line 10 and Line 11, column (g) – Subtract the amount in column (f) for each line from the amounts in column (e). These are the credit amounts that can be carried over to future years and used by the S corporation.

Part IV – Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

Line 12 and Line 13, column (b) – Enter the amounts of current year credits that were computed on Worksheet IA and Worksheet IB. S corporations may enter only 1/3 of the amounts from Worksheet IA and IB on line 12, column (b) and line 13, column (b), as applicable.

Line 12 and Line 13, column (c) – Enter the amounts of the total prior year credit carryover. These are the credit amounts that were previously computed on Worksheet IA and Worksheet IB in the prior year, minus the amounts that were allowed to be taken on the prior year tax return. S corporations may enter only 1/3 of the amounts from Worksheet IA and Worksheet IB.

Line 12 and Line 13, column (d) – Enter the amounts of credits assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, column (g). Only C corporations who completed the form will enter an amount in this column. S corporations, leave blank and go to column (e) instructions.

Line 12 and Line 13, column (e) – Add the amounts in column (b) and column (c) for line 12 and line 13, then subtract the amounts in column (d), if any, for line 12 and line 13. These are the credit amounts that can be carried over to future years.

2011**Targeted Tax Area
Deduction and Credit Summary****3809**

Attach to your California tax return.

SSN or ITIN or California corporation number

Name(s) as shown on return

FEIN

Qualified taxpayer's SIC code. See instructions. _____

Secretary of State (SOS) file number

A. Check the appropriate box for your entity type:

- ☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt organization ☐ Limited liability company ☐ Limited liability partnership

B. Enter the name of the targeted tax area (TTA) business: _____**C. Enter the address (actual location) where the TTA business is conducted:** _____**D. Enter the name of the specific area of the TTA in which the business and/or investment activity is located.** _____**E. Enter the six-digit Principal Business Activity code of the TTA Business.** _____**F. Total number of employees in the TTA.** _____**G. Number of employees included in the computation of the hiring credit, if claimed.** _____**H. Number of new employees included in the computation of the hiring credit, if claimed.** _____**I. Gross annual receipts of the business.** _____**J. Total asset value of the business.** _____**Part I Credits** (Complete Schedule Z on Side 2 before you complete this part.)**1** Hiring and sales or use tax credits claimed on the current year return:**a** Hiring credit from Schedule Z, line 8A, column (g) or line 10, column (f) _____**b** Sales or use tax credit from Schedule Z, line 9A, column (g) or line 11, column (f) _____Add line 1a and line 1b _____ **1****Part II Business Expense Deduction****2** Enter the cost of qualified property purchased for the TTA that is being deducted as a current yearbusiness expense from Worksheet II, Section A, line 5, column (b) _____ **2**

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.6 or 24356.6. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

Part III Portion of Business Attributable to the Targeted Tax Area**3** Enter the average apportionment percentage of your business that is in the TTA from Worksheet III,Section A, line 4. If your operation is wholly within the TTA, the average apportionment percentage is 100% (1.00) _____ **3****Part IV Net Operating Loss (NOL) Carryover and Deduction****4 a** Enter the total NOL carryover from the prior year from Worksheet IV, Section C, line 22, column (b) _____ **4a**

b Enter the total NOL deduction used in the current year from Worksheet IV, Section C, line 22, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 6. _____ **4b**

c Enter the TTA NOL carryover to future years from Worksheet IV, Section C, line 22, column (e) _____ **4c**

ELECTION: For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Sections 17276.6 or 24416.6, for taxpayers operating a trade or business within the TTA. If you elect to carry over an NOL under the TTA provisions, you cannot carry over any other type and amount of NOL from this year.

Part V Recapture of Deduction and Credits**5** TTA recapture of hiring credit from Worksheet IA, Section B, line 2, column (b) _____ **5****6** Recapture of business expense deduction from Worksheet II, Section B, line 2, column (b) _____ **6**

Schedule Z Computation of Credit Limitations — Targeted Tax Area**Part I Computation of Credit Limitations.** See instructions.

| | | | |
|------------|--|-----------|--|
| 1 | Trade or business income. Individuals: Enter the amount from Worksheet III, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see instructions Part III) | 1 | |
| 2 | Corporations: Enter the average apportionment percentage from Worksheet III, Section A, line 4. See instructions . . | 2 | |
| 3 | Multiply line 1 by line 2 | 3 | |
| 4 | Enter the TTA NOL deduction from Worksheet IV, Section C, line 22, column (c) | 4 | |
| 5 | TTA taxable income. Subtract line 4 from line 3 | 5 | |
| 6 a | Compute the amount of tax due using the amount on line 5. See instructions | 6a | |
| b | Enter the amount of tax from Form 540, line 35; Long Form 540NR, line 42; Form 541, line 21; Form 100, or Form 100W, line 24; Form 100S, line 22; or Form 109, line 10. Corporations and S corporations, see instructions | 6b | |
| 7 | Enter the smaller of line 6a or line 6b. This is the limitation based on the TTA income. Go to Part II, Part III, or Part IV. See instructions | 7 | |

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

| (a) Credit name | | (b) Credit amount | (c) Total prior year carryover | (d) Total credit assigned from form FTB 3544 col. (g) | (e) Total credit sum of col. (b) plus col. (c), minus col. (d) | (f) Limitation based on TTA business income | (g) Credit used on Sch. P Can never be greater than col. (e) or col. (f) | (h) Total credit carryover col. (e) minus col. (f) |
|--------------------|-------------------------|----------------------|-----------------------------------|--|---|--|---|---|
| 8 | Hiring Credit | A | | | | | | |
| | | B | | | | | | |
| 9 | Sales or use tax credit | A | | | | | | |
| | | B | | | | | | |

Part III Limitation of Credits for S Corporations Only. See instructions.

| (a) Credit name | (b) Credit amount | (c) S corporation credit col. (b) multiplied by 1/3 | (d) Total prior year carryover | (e) Total credit col. (c) plus col. (d) | (f) Credit used this year by S corporation | (g) Carryover col. (e) minus col. (f) |
|--------------------|-------------------------|--|-----------------------------------|--|---|--|
| 10 | Hiring Credit | | | | | |
| 11 | Sales or use tax credit | | | | | |

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax. See instructions.

| (a) Credit name | (b) Credit amount | (c) Total prior year carryover | (d) Total credit assigned from form FTB 3544 col. (g) | (e) Total credit carryover sum of col. (b) plus col. (c), minus col. (d) |
|--------------------|-------------------------|-----------------------------------|--|---|
| 12 | Hiring Credit | | | |
| 13 | Sales or use tax credit | | | |

Refer to page 4 for information on how to claim deductions and credits.

Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual classifies business activities based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

The Standard Industrial Classification Manual is organized using a hierarchical structure, first by division, next by two-digit major

groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

For purposes of this publication, the following SIC codes are listed since only taxpayers with establishments in these industry codes qualify for the TTA tax incentives:

- SIC Codes 2000 through 2099;
- SIC Codes 2200 through 3999;
- SIC Codes 4200 through 4299;
- SIC Codes 4500 through 4599; and
- SIC Codes 4700 through 5199.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

NATIONAL TECHNICAL INFORMATION SERVICE
5301 SHAWNEE ROAD
ALEXANDRIA, VIRGINIA 22312

Order No. PB 87-100012

Or to view the manual, go to osha.gov and search for **SIC code**.

The four-digit industry codes within Division D of the SIC Manual are: (nec means "not elsewhere classified")

| | | | |
|---|--|--|--|
| 3291 Abrasive products | 2231 Broadwoven fabric mills, wool | 2653 Corrugated & solid fiber boxes | 3441 Fabricated structural metal |
| 2891 Adhesives & sealants | 3991 Brooms & brushes | 3961 Costume jewelry | 2399 Fabricated textile products, nec |
| 2879 Agricultural chemicals, nec | 3995 Burial caskets | 2074 Cottonseed oil | 3523 Farm machinery & equipment |
| 3563 Air & gas compressors | 3578 Calculating & accounting equipment | 2021 Creamery butter | 3965 Fasteners, buttons, needles, & pins |
| 3728 Aircraft parts & equipment, nec | 2064 Candy & other confectionery products | 3466 Crowns & closures | 2875 Fertilizers, mixing only |
| 3724 Aircraft engines & engine parts | 2062 Cane sugar refining | 3643 Current-carrying wiring devices | 2655 Fiber cans, drums, & similar products |
| 3721 Aircraft | 2033 Canned fruits & vegetables | 2391 Curtains & draperies | 2262 Finishing plants, manmade |
| 2812 Alkalies & chlorine | 2091 Canned & cured fish & seafood | 3087 Custom compound purchased resins | 2261 Finishing plants, cotton |
| 3354 Aluminum extruded products | 2032 Canned specialties | 3281 Cut stone & stone products | 2269 Finishing plants, nec |
| 3355 Aluminum rolling & drawing, nec | 2394 Canvas & related products | 3421 Cutlery | 3211 Flat glass |
| 3365 Aluminum foundries | 2394 Canvas & related products | 2865 Cyclic crudes & intermediates | 2087 Flavoring extracts & syrups, nec |
| 3353 Aluminum sheet, plate, & foil | 3955 Carbon paper & inked ribbons | 2034 Dehydrated fruits, vegetables, & soups | 2041 Flour & other grain mill products |
| 3363 Aluminum die-casting | 2895 Carbon black | 3843 Dental equipment & supplies | 3824 Fluid meters & counting devices |
| 3483 Ammunition, except for small arms, nec | 3624 Carbon & graphite products | 2675 Die-cut paper products | 3492 Fluid power valves & hose fittings |
| 3826 Analytical instruments | 3592 Carburetors, pistons, rings, & valves | 2085 Distilled & blended liquors | 2026 Fluid milk |
| 2077 Animal & marine fats & oils | 2273 Carpets & rugs | 2047 Dog & cat food | 3594 Fluid power pumps & motors |
| 2387 Apparel belts | 2823 Cellulosic manmade fiber | 3942 Dolls & stuffed toys | 3593 Fluid power cylinders & actuators |
| 2389 Apparel & accessories, nec | 3241 Cement, hydraulic | 2591 Drapery hardware, blinds, & shades | 2657 Folding paperboard boxes |
| 3446 Architectural metal work | 3253 Ceramic wall & floor tile | 2023 Dry, condensed, & evaporated dairy products | 2099 Food preparations, nec |
| 3292 Asbestos products | 2043 Cereal breakfast foods | 2079 Edible fats & oils, nec | 3556 Food products machinery |
| 2952 Asphalt felts & coatings | 2022 Cheese, natural & processed | 3641 Electric lamps | 3131 Footwear cut stock |
| 2951 Asphalt paving mixtures & blocks | 2899 Chemical preparations, nec | 3634 Electric housewares & fans | 3149 Footwear, except rubber, nec |
| 3581 Automatic vending machines | 2067 Chewing gum | 3699 Electrical equipment & supplies, nec | 2092 Fresh/frozen prepared fish/seafood |
| 2396 Automotive & apparel trimmings | 2066 Chocolate & cocoa products | 3629 Electrical industrial apparatus, nec | 2053 Frozen bakery products, except bread |
| 3465 Automotive stampings | 3255 Clay refractories | 3845 Electromedical equipment | 2038 Frozen specialties, nec |
| 2673 Bags: plastic, laminated, & coated | 2295 Coated fabrics, not rubberized | 3313 Electrometallurgical products | 2037 Frozen fruits & vegetables |
| 2674 Bags: uncoated paper & multiwall | 3316 Cold finishing of steel shapes | 3679 Electronic components, nec | 2371 Fur goods |
| 3562 Ball & roller bearings | 2754 Commercial printing, gravure | 3678 Electronic connectors | 2599 Furniture & fixtures, nec |
| 2063 Beet sugar | 2752 Commercial printing, lithographic | 3671 Electron tubes | 3944 Games, toys, & children's vehicles |
| 2836 Biological products except diagnostic | 2759 Commercial printing, nec | 3675 Electronic capacitors | 3053 Gaskets, packing, & sealing devices |
| 2782 Blankbooks & looseleaf binders | 3582 Commercial laundry equipment | 3676 Electronic resistors | 3569 General industrial machinery, nec |
| 3312 Blast furnace & steel mills | 3646 Commercial lighting fixtures | 3677 Electronic coils & transformers | 2369 Girls' & children's outerwear, nec |
| 3564 Blowers & fans | 3669 Communication equipment | 3571 Electronic computers | 2361 Girls' & children's dresses, blouses |
| 3732 Boat building & repairing | 3577 Computer peripheral equipment, nec | 3534 Elevators & moving stairways | 3221 Glass containers |
| 3452 Bolts, nuts, rivets, & washers | 3575 Computer terminals | 3694 Engine electrical equipment | 3321 Gray & ductile iron foundries |
| 2731 Book publishing | 3572 Computer storage devices | 2677 Envelopes | 2771 Greeting cards |
| 2732 Book printing | 3271 Concrete block & brick | 3822 Environmental controls | 3764 Guided missile & space vehicle parts |
| 2789 Bookbinding & related work | 3272 Concrete products, nec | 2892 Explosives | 3769 Guided missile & space vehicle parts, nec |
| 2086 Bottled & canned soft drinks | 3531 Construction machinery | 2381 Fabric dress & work gloves | |
| 2342 Bras, girdles, & allied garments | 2679 Converted paper products, nec | 3499 Fabricated metal products, nec | |
| 2051 Bread, cake, & related products | 3535 Conveyors & conveying equipment | 3443 Fabricated plate work (boiler shops) | |
| 3251 Brick & structural clay tile | 2052 Cookies & crackers | 3498 Fabricated pipe & fittings | |
| 2211 Broadwoven fabric mills, cotton | 3351 Copper rolling & drawing | 3069 Fabricated rubber products, nec | |
| 2221 Broadwoven fabric mills, manmade | 3366 Copper foundries | | |
| | 2298 Cordage & twine | | |

(continued on next page)

| | | | | | | | |
|------|--|------|---|------|--------------------------------------|------|---------------------------------------|
| 3761 | Guided missiles & parts | 3061 | Mechanical rubber goods | 2035 | Pickles, sauces, & salad dressing | 3769 | Space vehicle equipment & parts |
| 2861 | Gum & wood chemicals | 2833 | Medicinal & botanicals | 3085 | Plastic bottles | 3764 | Space propulsion units & parts |
| 3275 | Gypsum products | 2325 | Men's & boys' trousers & slacks | 3086 | Plastic foam products | 2429 | Special product sawmills, nec |
| 3423 | Hand & edge tools, nec | 3143 | Men's footwear, except athletic | 2821 | Plastic materials & resins | 3544 | Special dies, tools, jigs, & fixtures |
| 3996 | Hardsurface floor coverings, nec | 2323 | Men's & boys' neckwear | 3084 | Plastic pipe | 3559 | Special industry machinery, nec |
| 2429 | Hardware, nec | 2329 | Men's & boys' clothing, nec | 3088 | Plastic plumbing fixtures | 3566 | Speed changers, drives, & gears |
| 2426 | Hardwood dimensions & flooring mills | 2321 | Men's & boys' shirts | 3089 | Plastic products, nec | 3949 | Sporting & athletic goods, nec |
| | | 2322 | Men's & boys' underwear & nightwear | 2796 | Platemaking service | 2678 | Stationery products |
| 2435 | Hardwood veneer & plywood | | | 3471 | Plating & polishing | 3493 | Steel springs, except wire |
| 2353 | Hats, caps, & millinery | 2326 | Men's & boys' work clothing | 2395 | Pleating & stitching | 3315 | Steel wire & related products |
| 3433 | Heating equip, except electric | 2311 | Men's & boys' suits & coats | 3432 | Plumbing fixture fittings & trim | 3317 | Steel pipe & tubes |
| 3536 | Hoists, cranes, & monorails | 2514 | Metal household furniture | 2842 | Polishes & sanitation goods | 3325 | Steel foundries, nec |
| 2252 | Hosiery, nec | 3549 | Metalworking machinery, nec | 3264 | Porcelain electrical supplies | 3324 | Steel investment foundries |
| 2392 | House furnishings, nec | 3398 | Metal heat treating | 2096 | Potato chips & similar snacks | 3691 | Storage batteries |
| 3142 | House slippers | 3411 | Metal cans | 3269 | Pottery products, nec | 3259 | Structural clay products, nec |
| 3651 | Household audio & video equipment | 3412 | Metal barrels, drums, & pails | 2015 | Poultry slaughtering & processing | 2439 | Structural wood members, nec |
| | | 3431 | Metal sanitary ware | 3568 | Power transmission equipment, nec | 2843 | Surface active agents |
| 3635 | Household vacuum cleaners | 3497 | Metal foil & leaf | | | 3841 | Surgical & medical instruments |
| 3631 | Household cooking appliances | 3479 | Metal coating & allied services | 3546 | Power-driven handtools | 3842 | Surgical appliances & supplies |
| 3633 | Household laundry equipment | 3469 | Metal stampings, nec | 3448 | Prefabricated metal buildings | 3613 | Switchgear & switchboard apparatus |
| 3639 | Household appliances, nec | 3442 | Metal door, sash, & trim | 2452 | Prefabricated wood buildings | | |
| 2519 | Household furniture, nec | 2431 | Millwork | 2045 | Prepared flour mixes & doughs | 2822 | Synthetic rubber |
| 3632 | Household refrigerators & freezers | 3296 | Mineral wool | 2048 | Prepared feeds, nec | 3795 | Tanks & tank components |
| 2024 | Ice cream & frozen desserts | 3295 | Minerals, ground or treated | 3652 | Prerecorded records & tapes | 3661 | Telephone & telegraph apparatus |
| 3491 | Industrial valves | 3532 | Mining machinery | 3229 | Pressed & blown glass, nec | 3552 | Textile machinery |
| 2819 | Industrial inorganic chem, nec | 2741 | Misc publishing | 3399 | Primary metal products, nec | 2393 | Textile bags |
| 3599 | Industrial machinery, nec | 3449 | Misc metal work | 3339 | Primary nonferrous metals, nec | 2299 | Textile goods, nec |
| 2869 | Industrial organic chem, nec | 3496 | Misc fabricated wire products | 3334 | Primary aluminum | 2284 | Thread mills |
| 3537 | Industrial trucks & tractors | 2451 | Mobile homes | 3331 | Primary copper | 2282 | Throwing & winding mills |
| 2813 | Industrial gases | 3716 | Motor homes | 3692 | Primary batteries, dry & wet | 2296 | Tire cord & fabrics |
| 3543 | Industrial patterns | 3711 | Motor vehicles & car bodies | 3672 | Printed circuit boards | 3011 | Tires & inner tubes |
| 3567 | Industrial furnaces & ovens | 3621 | Motor & generators | 2893 | Printing ink | 2844 | Toilet preparations |
| 2816 | Inorganic pigments | 3714 | Motor vehicle parts & accessories | 3555 | Printing trades machinery | 3612 | Transformers, except electronic |
| 3825 | Instruments to measure electricity | 3751 | Motorcycles, bicycles, & parts | 3823 | Process control instruments | 3799 | Transportation equipment, nec |
| 3519 | Internal combustion engines, nec | 3931 | Musical instruments | 3231 | Products of purchased glass | 3792 | Travel trailers & campers |
| 2835 | In vitro & in vivo diagnostic substances | 2441 | Nailed wood boxes & shook | 2531 | Public building & related furniture | 3713 | Truck & bus bodies |
| | | 2241 | Narrow fabric mills | 2611 | Pulp mills | 3715 | Truck trailers |
| 3462 | Iron & steel forging | 2711 | Newspapers | 3561 | Pumps & pumping equipment | 3511 | Turbines & turbines generator sets |
| 3915 | Jewelers' materials & lapidary work | 2873 | Nitrogenous fertilizers | 3663 | Radio & TV communication equipment | 2791 | Typesetting |
| | | 3297 | Nonclay refractories | | | 3082 | Unsupported plastic profile shapes |
| 3911 | Jewelry, precious metal | 3644 | Noncurrent-carrying wiring devices | 3743 | Railroad equipment | 3081 | Unsupported plastic film & sheet |
| 2253 | Knit outerwear mills | | | 2061 | Raw sugar cane | 2512 | Upholstered household furniture |
| 2254 | Knit underwear mills | | | 3273 | Ready-mixed concrete | 3494 | Valves & pipe fittings, nec |
| 2259 | Knitting mills, nec | 3369 | Nonferrous foundries, nec | 2493 | Reconstituted wood products | 2076 | Vegetable oil mills, nec |
| 3821 | Laboratory apparatus & furniture | 3364 | Nonferrous die-casting, except aluminum | 3585 | Refrigeration & heating equipment | 3647 | Vehicular lighting equipment |
| 2258 | Lace & warp knit fabric mills | | | 3625 | Relays & industrial controls | 3261 | Vitreous plumbing fixtures |
| 3083 | Laminated plastic plate & sheet | 3357 | Nonferrous wiredrawing & insulating | 3645 | Residential lighting fixtures | 3262 | Vitreous china table & kitchenware |
| 3524 | Lawn & garden equipment | | | 2044 | Rice milling | 3873 | Watches, clocks, & parts |
| 3952 | Lead pencils & art goods | 3356 | Nonferrous rolling & drawing, nec | 2095 | Roasted coffee | 2385 | Waterproof outerwear |
| 3199 | Leather goods, nec | 3341 | Nonferrous metals | 2384 | Robes & dressing gowns | 2257 | Weft knit fabric mills |
| 2386 | Leather & sheep-lined clothing | 3463 | Nonferrous forging | 3547 | Rolling mill machinery | 3548 | Welding apparatus |
| 3111 | Leather tanning & finishing | 3299 | Nonmetallic mineral products, nec | 3052 | Rubber & plastic hose & belting | 2046 | Wet corn milling |
| 3151 | Leather gloves & mittens | 2297 | Nonwoven fabrics | 3021 | Rubber & plastic footwear | 2084 | Wines, brandy, & brandy spirits |
| 3648 | Lighting equipment | 3579 | Office machines, nec | 2068 | Salted & roasted nuts & seeds | 3495 | Wire springs |
| 3274 | Lime | 2522 | Office furniture, except wood | 2656 | Sanitary food containers | 2337 | Women's & misses' suits & coats |
| 2411 | Logging | 3533 | Oil & gas field machinery | 2676 | Sanitary paper products | 2335 | Women's, juniors', & misses' dresses |
| 2992 | Lubricating oils & greases | 3851 | Ophthalmic goods | 2013 | Sausages & other prepared meats | | |
| 3161 | Luggage | 3827 | Optical instruments & lenses | 3425 | Saw blades & handsaws | 2341 | Women's & children's underwear |
| 2098 | Macaroni, spaghetti, & noodles | 3489 | Ordnance & accessories, nec | 2421 | Sawmills & planing mills, general | 2251 | Women's hosiery, except socks |
| 3541 | Machine tools, metal cutting types | 2824 | Organic fibers, noncellulosic | 3596 | Scales & balances, except laboratory | 2339 | Women's & misses' outerwear, nec |
| | | 3565 | Packaging machinery | | | 2331 | Women's & misses' blouses & shirts |
| 3545 | Machine tool accessories | 2851 | Paints & allied products | 2397 | Schiffli machine embroideries | | |
| 3542 | Machine tools, metal forming type | 3554 | Paper industries machinery | 3451 | Screw machine products | 3171 | Women's handbags and purses |
| 3695 | Magnetic & optical recording media | 2621 | Paper mills | 3812 | Search & navigation equipment | 3144 | Women's footwear, except athletic |
| | | 2671 | Paper coated & laminated, packaging | 3674 | Semiconductors & related devices | 2491 | Wood preserving |
| 3322 | Malleable iron foundries | | | 3263 | Semivitreous table & kitchenware | 2499 | Wood products, nec |
| 2083 | Malt | 2672 | Paper coated & laminated, nec | 3589 | Service industry machinery, nec | 2434 | Wood kitchen cabinets |
| 2082 | Malt beverages | 2631 | Paperboard mills | 2652 | Setup paperboard boxes | 2541 | Wood partitions & fixtures |
| 2761 | Manifold business forms | 2542 | Partitions & fixtures, except wood | 3444 | Sheet metal work | 2521 | Wood office furniture |
| 2097 | Manufactured ice | 3951 | Pens & mechanical pencils | 3731 | Ship building & repairing | 2517 | Wood TV & radio cabinets |
| 3999 | Manufacturing industries, nec | 2721 | Periodicals | 3993 | Signs & advertising specialties | 2449 | Wood containers, nec |
| 3953 | Marking devices | 3172 | Personal leather goods, nec | 3914 | Silverware and plate ware | 2511 | Wood household furniture |
| 2515 | Mattresses & bedsprings | 2911 | Petroleum refining | 3484 | Small arms | 2448 | Wood pallets & skids |
| 3586 | Measuring & dispensing pumps | 2999 | Petroleum & coal products, nec | 3482 | Small arms ammunition | 3553 | Woodworking machinery |
| 3829 | Measuring & controlling devices, nec | 2834 | Pharmaceutical preparations | 2841 | Soap & other detergents | 3844 | X-ray apparatus & tubes |
| | | 2874 | Phosphatic fertilizers | 2436 | Softwood veneer & plywood | 2281 | Yarn spinning mills |
| 2011 | Meat packing plants | 3861 | Photographic equipment & supplies | 2075 | Soybean oil mills | | |

(continued on next page)

The four-digit industry codes within Division E of the SIC Manual are: (*nec* means “not elsewhere classified”)

| | | |
|---|---|---|
| 4513 Air courier services | 4932 Gas & other services combined | 4960 Steam & air-conditioning supply |
| 4522 Air transportation, nonscheduled | 4971 Irrigation systems | 4822 Telegraph & other message communications |
| 4512 Air transportation, scheduled | 4214 Local trucking with storage | 4813 Telephone communications, except radiotelephone |
| 4581 Airports, flying fields, & airport terminal services | 4212 Local trucking without storage | 4833 Television broadcasting stations |
| 4729 Arrangement of passenger transportation, <i>nec</i> | 4925 Mixed, manufactured, or liquefied petroleum gas production | 4231 Terminal & joint terminal maintenance facilities for motor freight |
| 4730 Arrangement of transportation of freight & cargo | 4924 Natural gas distribution | 4725 Tour operators |
| 4841 Cable & other pay television services | 4922 Natural gas transmission | 4789 Transportation services, <i>nec</i> |
| 4939 Combination utilities, <i>nec</i> | 4923 Natural gas transmission & distribution | 4724 Travel agencies |
| 4899 Communications services, <i>nec</i> | 4783 Packing & crating | 4213 Trucking, except local |
| 4215 Courier services, except by air | 4832 Radio broadcasting stations | 4940 Water supply |
| 4931 Electric & other services combined | 4812 Radiotelephone communications | |
| 4911 Electric services | 4222 Refrigerated warehousing & storage | |
| 4221 Farm product warehousing & storage | 4953 Refuse systems | |
| 4785 Fixed facilities & inspection weighing services for motor vehicle transportation | 4741 Rental of railroad cars | |
| | 4959 Sanitary services, <i>nec</i> | |
| | 4952 Sewerage systems | |
| | 4225 Special warehousing & storage | |
| | 4226 Special warehousing & storage, <i>nec</i> | |

The four-digit industry codes within Division F of the SIC Manual are: (*nec* means “not elsewhere classified”)

| | | |
|--|---|---|
| 5012 Automobiles & other motor vehicles | 5021 Furniture | 5162 Plastics materials & basic forms & shapes |
| 5181 Beer & ale | 5153 Grain & field beans | 5074 Plumbing & heating equipment & supplies (hydronics) |
| 5192 Books, periodicals, & newspapers | 5149 Groceries & related products, <i>nec</i> | 5144 Poultry & poultry products |
| 5032 Brick, stone, and related construction materials | 5141 Groceries, general line | 5111 Printing & writing paper |
| 5169 Chemicals & allied products, <i>nec</i> | 5072 Hardware | 5049 Professional equipment & supplies, <i>nec</i> |
| 5052 Coal & other minerals & ores | 5022 Home furnishings | 5078 Refrigeration equipment & supplies |
| 5046 Commercial equipment, <i>nec</i> | 5113 Industrial & personal service paper | 5033 Roofing, siding, and insulation materials |
| 5045 Computers & computer peripheral equipment & software | 5084 Industrial machinery & equipment | 5093 Scrap & waste materials |
| 5145 Confectionery | 5085 Industrial supplies | 5087 Service establishment equipment & supplies |
| 5082 Construction & mining (except petroleum) machinery & equipment | 5094 Jewelry, watches, precious stones, & precious metals | 5091 Sporting & recreational goods & supplies |
| 5039 Construction materials, <i>nec</i> | 5154 Livestock | 5112 Stationery & office supplies |
| 5143 Dairy products, except dried or canned | 5031 Lumber, plywood, millwork, and wood panels | 5014 Tires & tubes |
| 5122 Drugs, drug proprietaries, & druggist' sundries | 5147 Meat & meat products | 5194 Tobacco & tobacco products |
| 5099 Durable goods, <i>nec</i> | 5047 Medical, dental, & hospital equipment & supplies | 5092 Toys, hobby goods, & supplies |
| 5063 Electrical apparatus & equipment, wiring supplies, & construction materials | 5136 Men's & boy's clothing & furnishings | 5088 Transportation equipment & supplies, except motor vehicles |
| 5064 Electrical appliances, television, & radio sets | 5051 Metals service centers & offices | 5075 Warm air heating, air-conditioning equipment, & supplies |
| 5065 Electronic parts & equipment, <i>nec</i> | 5015 Motor vehicle parts, used | 5182 Wine & distilled alcoholic beverages |
| 5083 Farm & garden machinery & equipment | 5013 Motor vehicle supplies & new parts | 5137 Women's, children's, & infants' clothing & accessories |
| 5191 Farm supplies | 5199 Nondurable goods, <i>nec</i> | |
| 5159 Farm-product raw materials, <i>nec</i> | 5044 Office equipment | |
| 5146 Fish & seafoods | 5048 Ophthalmic goods | |
| 5193 Flowers, nursery stock, & florists' supplies | 5142 Packaged frozen foods | |
| 5138 Footwear | 5198 Paints, varnishes, & supplies | |
| 5148 Fresh fruits & vegetables | 5172 Petroleum & petroleum products wholesalers, except bulk stations | |
| | 5171 Petroleum bulk stations & terminals | |
| | 5043 Photographic equipment & sales | |
| | 5131 Piece goods, notions, & other dry goods | |

FTB 3809

Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget, 1997 Edition.

For purposes of qualifying for the TTA tax incentives, refer to the Standard Industrial Classification Manual, 1987 Edition and the partial listing on pages 23 through 25 of this booklet.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying
- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas & Electric

Construction

Code

Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

Apparel Manufacturing

- 315100 Apparel Knitting Mills

Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

Printing and Related Support Activities

- 323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

Wholesale Trade

Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods

Code

Merchant Wholesalers, Nondurable Goods

424100 Paper & Paper Products
424210 Drugs & Druggists' Sundries
424300 Apparel, Piece Goods, & Notions
424400 Grocery & Related Products
424500 Farm Product Raw Materials
424600 Chemical & Allied Products
424700 Petroleum & Petroleum Products
424800 Beer, Wine, & Distilled Alcoholic Beverages
424910 Farm Supplies
424920 Book, Periodical, & Newspapers
424930 Flower, Nursery Stock, & Florists' Supplies
424940 Tobacco & Tobacco Products
424950 Paint, Varnish, & Supplies
424990 Other Miscellaneous Nondurable Goods

Wholesale Electronic Markets and Agents and Brokers

425110 Business to Business Electronic Markets
425120 Wholesale Trade Agents & Brokers

Retail Trade

Motor Vehicle and Parts Dealers

441110 New Car Dealers
441120 Used Car Dealers
441210 Recreational Vehicle Dealers
441221 Motorcycle Dealers
441222 Boat Dealers
441229 All Other Motor Vehicle Dealers
441300 Automotive Parts, Accessories, & Tire Stores

Furniture and Home Furnishings Stores

442110 Furniture Stores
442210 Floor Covering Stores
442291 Window Treatment Stores
442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443111 Household Appliance Stores
443112 Radio, Television, & Other Electronics Stores
443120 Computer & Software Stores
443130 Camera & Photographic Supplies Stores

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers
444120 Paint & Wallpaper Stores
444130 Hardware Stores
444190 Other Building Material Dealers
444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores

445110 Supermarkets and Other Grocery (except Convenience) Stores
445120 Convenience Stores
445210 Meat Markets
445220 Fish & Seafood Markets
445230 Fruit & Vegetable Markets
445291 Baked Goods Stores
445292 Confectionery & Nut Stores
445299 All Other Specialty Food Stores
445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores

446110 Pharmacies & Drug Stores
446120 Cosmetics, Beauty Supplies, & Perfume Stores
446130 Optical Goods Stores
446190 Other Health & Personal Care Stores

Gasoline Stations

447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores
448120 Women's Clothing Stores
448130 Children's & Infants' Clothing Stores
448140 Family Clothing Stores
448150 Clothing Accessories Stores
448190 Other Clothing Stores
448210 Shoe Stores
448310 Jewelry Stores
448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores
451120 Hobby, Toy, & Game Stores
451130 Sewing, Needlework, & Piece Goods Stores
451140 Musical Instrument & Supplies Stores
451211 Book Stores
451212 News Dealers & Newsstands
451220 Prerecorded Tape, Compact Disc, & Record Stores

General Merchandise Stores

452110 Department stores
452900 Other General Merchandise Stores

Miscellaneous Store Retailers

453110 Florists
453210 Office Supplies & Stationery Stores
453220 Gift, Novelty, & Souvenir Stores
453310 Used Merchandise Stores
453910 Pet & Pet Supplies Stores
453920 Art Dealers
453930 Manufactured (Mobile) Home Dealers
453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454110 Electronic Shopping & Mail-Order Houses
454210 Vending Machine Operators
454311 Heating Oil Dealers
454312 Liquefied Petroleum Gas (Bottled Gas) Dealers
454319 Other Fuel Dealers
454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation

481000 Air Transportation
482110 Rail Transportation
483000 Water Transportation

Truck Transportation

484110 General Freight Trucking, Local
484120 General Freight Trucking, Long-distance
484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems
485210 Interurban & Rural Bus Transportation
485310 Taxi Service
485320 Limousine Service
485410 School & Employee Bus Transportation
485510 Charter Bus Industry
485990 Other Transit & Ground Passenger Transportation

Code

Pipeline Transportation

486000 Pipeline Transportation

Scenic & Sightseeing Transportation

487000 Scenic & Sightseeing Transportation

Support Activities for Transportation

488100 Support Activities for Air Transportation
488210 Support Activities for Rail Transportation
488300 Support Activities for Water Transportation
488410 Motor Vehicle Towing
488490 Other Support Activities for Road Transportation
488510 Freight Transportation Arrangement
488990 Other Support Activities for Transportation

Couriers and Messengers

492110 Couriers
492210 Local Messengers & Local Delivery

Warehousing and Storage

493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers
511120 Periodical Publishers
511130 Book Publishers
511140 Directory & Mailing List Publishers
511190 Other Publishers
511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental)
512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting
515210 Cable & Other Subscription Programming

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking
522120 Savings Institutions
522130 Credit Unions
522190 Other Depository Credit Intermediation

Nondepository Credit Intermediation

522210 Credit Card Issuing
522220 Sales Financing
522291 Consumer Lending

Code

522292 Real Estate Credit (including mortgage bankers & originators)
522293 International Trade Financing
522294 Secondary Market Financing
522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110 Investment Banking & Securities Dealing
523120 Securities Brokerage
523130 Commodity Contracts Dealing
523140 Commodity Contracts Brokerage
523210 Securities & Commodity Exchanges
523900 Other Financial Investment Activities (including portfolio management & investment advice)

Insurance Carriers and Related Activities

524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210 Insurance Agencies & Brokerages
524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles

525100 Insurance & Employee Benefit Funds
525910 Open-End Investment Funds (Form 1120-RIC)
525920 Trusts, Estates, & Agency Accounts
525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds) of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies) on next page.

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
531114 Cooperative Housing (including equity REITs)
531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)
531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)
531190 Lessors of Other Real Estate Property (including equity REITs)
531210 Offices of Real Estate Agents & Brokers
531310 Real Estate Property Managers
531320 Offices of Real Estate Appraisers
531390 Other Activities Related to Real Estate

Code**Rental and Leasing Services**

- 532100 Automotive Equipment Rental & Leasing
 532210 Consumer Electronics & Appliances Rental
 532220 Formal Wear & Costume Rental
 532230 Video Tape & Disc Rental
 532290 Other Consumer Goods Rental
 532310 General Rental Centers
 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

- 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Professional, Scientific, and Technical Services**Legal Services**

- 541110 Offices of Lawyers
 541190 Other Legal Services

Accounting, Tax Preparation, Bookkeeping, and Payroll Services

- 541211 Offices of Certified Public Accountants
 541213 Tax Preparation Services
 541214 Payroll Services
 541219 Other Accounting Services

Architectural, Engineering, and Related Services

- 541310 Architectural Services
 541320 Landscape Architecture Services
 541330 Engineering Services
 541340 Drafting Services
 541350 Building Inspection Services
 541360 Geophysical Surveying & Mapping Services
 541370 Surveying & Mapping (except Geophysical) Services
 541380 Testing Laboratories

Specialized Design Services

- 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)

Computer Systems Design and Related Services

- 541511 Custom Computer Programming Services
 541512 Computer Systems Design Services
 541513 Computer Facilities Management Services
 541519 Other Computer Related Services

Other Professional, Scientific, and Technical Services

- 541600 Management, Scientific, & Technical Consulting Services
 541700 Scientific Research & Development Services
 541800 Advertising & Related Services
 541910 Marketing Research & Public Opinion Polling
 541920 Photographic Services
 541930 Translation & Interpretation Services
 541940 Veterinary Services
 541990 All Other Professional, Scientific, & Technical Services

Management of Companies (Holding Companies)

- 551111 Offices of Bank Holding Companies
 551112 Offices of Other Holding Companies

Administrative and Support and Waste Management and Remediation Services**Code****Administrative and Support Services**

- 561110 Office Administrative Services
 561210 Facilities Support Services
 561300 Employment Services
 561410 Document Preparation Services
 561420 Telephone Call Centers
 561430 Business Service Centers (including private mail centers & copy shops)
 561440 Collection Agencies
 561450 Credit Bureaus
 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)
 561500 Travel Arrangement & Reservation Services
 561600 Investigation & Security Services
 561710 Exterminating & Pest Control Services
 561720 Janitorial Services
 561730 Landscaping Services
 561740 Carpet & Upholstery Cleaning Services
 561790 Other Services to Buildings & Dwellings
 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)

Waste Management and Remediation Services

- 562000 Waste Management & Remediation Services

Educational Services

- 611000 Educational Services (including schools, colleges, & universities)

Health Care and Social Assistance**Offices of Physicians and Dentists**

- 621111 Offices of Physicians (except mental health specialists)
 621112 Offices of Physicians, Mental Health Specialists
 621210 Offices of Dentists

Offices of Other Health Practitioners

- 621310 Offices of Chiropractors
 621320 Offices of Optometrists
 621330 Offices of Mental Health Practitioners (except Physicians)
 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists
 621391 Offices of Podiatrists
 621399 Offices of All Other Miscellaneous Health Practitioners

Outpatient Care Centers

- 621410 Family Planning Centers
 621420 Outpatient Mental Health & Substance Abuse Centers
 621491 HMO Medical Centers
 621492 Kidney Dialysis Centers
 621493 Freestanding Ambulatory Surgical & Emergency Centers
 621498 All Other Outpatient Care Centers

Medical and Diagnostic Laboratories

- 621510 Medical & Diagnostic Laboratories

Home Health Care Services

- 621610 Home Health Care Services

Code**Other Ambulatory Health Care Services**

- 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)

Hospitals

- 622000 Hospitals

Nursing and Residential Care Facilities

- 623000 Nursing & Residential Care Facilities

Social Assistance

- 624100 Individual & Family Services
 624200 Community Food & Housing, & Emergency & Other Relief Services
 624310 Vocational Rehabilitation Services
 624410 Child Day Care Services

Arts, Entertainment, and Recreation**Performing Arts, Spectator Sports, and Related Industries**

- 711100 Performing Arts Companies
 711210 Spectator Sports (including sports clubs & racetracks)
 711300 Promoters of Performing Arts, Sports, & Similar Events
 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
 711510 Independent Artists, Writers, & Performers

Museums, Historical Sites, and Similar Institutions

- 712100 Museums, Historical Sites, & Similar Institutions

Amusement, Gambling, and Recreation Industries

- 713100 Amusement Parks & Arcades
 713200 Gambling Industries
 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

Accommodation and Food Services**Accommodation**

- 721110 Hotels (except Casino Hotels) & Motels
 721120 Casino Hotels
 721191 Bed & Breakfast Inns
 721199 All Other Traveler Accommodation
 721210 RV (Recreational Vehicle) Parks & Recreational Camps
 721310 Rooming & Boarding Houses

Food Services and Drinking Places

- 722110 Full-Service Restaurants
 722210 Limited-Service Eating Places
 722300 Special Food Services (including food service contractors & caterers)
 722410 Drinking Places (Alcoholic Beverages)

Other Services**Repair and Maintenance**

- 811110 Automotive Mechanical & Electrical Repair & Maintenance
 811120 Automotive Body, Paint, Interior, & Glass Repair
 811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)

Code

- 811210 Electronic & Precision Equipment Repair & Maintenance
 811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
 811410 Home & Garden Equipment & Appliance Repair & Maintenance
 811420 Reupholstery & Furniture Repair
 811430 Footwear & Leather Goods Repair
 811490 Other Personal & Household Goods Repair & Maintenance

Personal and Laundry Services

- 812111 Barber Shops
 812112 Beauty Salons
 812113 Nail Salons
 812190 Other Personal Care Services (including diet & weight reducing centers)
 812210 Funeral Homes & Funeral Services
 812220 Cemeteries & Crematories
 812310 Coin-Operated Laundries & Drycleaners
 812320 Drycleaning & Laundry Services (except Coin-Operated)
 812330 Linen & Uniform Supply
 812910 Pet Care (except Veterinary) Services
 812920 Photofinishing
 812930 Parking Lots & Garages
 812990 All Other Personal Services

Religious, Grantmaking, Civic, Professional, and Similar Organizations

- 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)

Visit our website:

ftb.ca.gov

How to Get California Tax Information

(Keep This Page For Future Use)

Your Rights as a Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications at ftb.ca.gov.

Access other state agencies' websites at ca.gov.

By phone – To order current year California tax forms and publications, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call 800.338.0505 and follow the instructions.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

In person – Many post offices and libraries provide free California personal income tax booklets during the filing season.

Employees at post offices cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), Secretary of State (SOS) file number, California corporation number, social security number (SSN) or individual taxpayer identification number (ITIN), your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

CORRESPONDENCE, ANALYSIS, SUPPORT
AND EDUCATION SECTION MS F-283
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information.

Do not attach correspondence to your tax return unless the correspondence relates to an item on your tax return.

Internet and Telephone Assistance

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours subject to change.

Website: ftb.ca.gov
Telephone: 800.852.5711
from within the United States
916.845.6500
from outside the United States
TTY/TDD: 800.822.6268
for persons with hearing or
speech impairments

Asistencia Por Internet y Teléfono

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, excepto días festivos. Las horas están sujetas a cambios.

Sitio web: ftb.ca.gov
Teléfono: 800.852.5711
dentro de los Estados Unidos
916.845.6500
fuera de los Estados Unidos
TTY/TDD: 800.822.6268
personas con discapacidades
auditivas y del habla

TTA Contact Information

For business eligibility or zone related information, including questions regarding TTA geographic boundaries and vouchering, contact the HCD or the local zone program manager where the business is located. Go to hcd.ca.gov and search for **directory of zone contacts** to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, contact the HCD at:

DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
ENTERPRISE ZONE PROGRAMS
1800 THIRD STREET, SUITE 390
SACRAMENTO, CA 95811

Mailing address
PO BOX 952054 MS 390-1
SACRAMENTO CA 94252-2054

Website: hcd.ca.gov
Telephone: 916.322.1554
Fax: 916.327.6660

or for tax-specific information contact:

FRANCHISE TAX BOARD
Website: ftb.ca.gov
Telephone: 916.845.3464